



Pakistan Reinsurance Company Limited



**ANNUAL
REPORT
2020**

**Commitment To
Excellence**

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Vision

To be a leading provider of reinsurance and risk management services in the region





Mission

To provide secure reinsurance capacity and outstanding risk management advice in a profitable manner and to conduct business in a dependable and professional way with the highest standards of customer service.





Strategy

To remain the best provider of reinsurance and risk management services to the insurance industry and to have good business relationship with local insurers, reinsurance brokers and foreign reinsurers.





Objectives

- ❖ To provide the best reinsurance services to the local insurance industry in order to check outflow of foreign exchange, to the maximum possible extent.
- ❖ To develop good business relations with foreign reinsurers.
- ❖ To train staff in pace with the fast changing business requirements as well as to provide them with conducive working environment.
- ❖ To assist in the development of national insurance industry.
- ❖ To enhance Domestic retention capacity in the country in order to save valuable foreign exchange.

Corporate Information

BOARD OF DIRECTORS OF PRCL

	Members	Types
Mr. Mumtaz Ali Rajper	Chairman Board / Director	Non-Executive
Mr. Manzoor Ali Shaikh	Chief Executive Officer	Executive
Dr. Kausar Ali Zaidi	Director	Non-Executive
Mr. Musleh-ud-Din	Director	Non-Executive
Dr. Riaz Ahmed Memon	Director	Non-Executive

COMPANY SECRETARY / COMPLIANCE OFFICER

Mr. Shams-ud-Din

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Musleh-ud-Din	Chairman
Dr. Kausar Ali Zaidi	Member
Mr. Mumtaz Ali Rajper	Member
Mr. Sultan Hammad Gul (CIA)	Secretary

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Mumtaz Ali Rajper	Chairman
Dr. Kausar Ali Zaidi	Member
Mr. Musleh-Ud-Din	Member
Mr. Manzoor Ali Shaikh	Member
Mr. Muhammad Sheraz Ashraf	Secretary

INVESTMENT COMMITTEE

Dr. Riaz Ahmed Memon	Chairman
Mr. Mumtaz Ali Rajper	Member
Mr. Musleh-Ud-Din	Member
Mr. Manzoor Ali Shaikh	Member
Mr. Jamil Ahmed	Member
Mr. Muhammad Naveed Iqbal	Secretary

MANAGEMENT COMMITTEES

RISK MANAGEMENT AND COMPLIANCE COMMITTEE

Dr. Riaz Ahmed Memon	Chairman
Mr. Shams-ud-Din	Member
Mr. Jamil Ahmed	Member
Mr. Muhammad Sheraz Ashraf	Secretary

PROCUREMENT COMMITTEE

Dr. Kausar Ali Zaidi	Chairman
Mr. Jamil Ahmed	Member
Mr. Muhammad Sheraz Ashraf	Secretary

UNDERWRITING / REINSURANCE COMMITTEE

Dr. Kausar Ali Zaidi	Chairman
Mr. Manzoor Ali Shaikh	Member
Mr. Muhammad Junaid Moti	Secretary

CLAIMS SETTLEMENT COMMITTEE

Mr. Mumtaz Ali Rajper
Mr. Manzoor Ali Shaikh
Mr. Muhammad Junaid Moti

Chairman
Member
Secretary

SENIOR MANAGEMENT

Mr. Manzoor Ali Shaikh
Mr. Muhammad Junaid Moti
Mr. Jamil Ahmed
Mr. Sultan Hammad Gul
Mr. Shams-ud-Din

Chief Executive Officer
Executive Director (Operations/Underwriting)
Chief Financial Officer
Chief Internal Auditor
Company Secretary/Compliance Officer/
Head of Legal Department
Head of HR/Administration/Risk Management
Head of Northern Zonal Office
General Manager (Protocol)
Head of Information Technology Deptt.
Head of Investment
Head of Retrocession
Head of Underwriting

Mr. Muhammad Sheraz Ashraf
Ms. Hina Gul
Mrs. Raana Munir Ahmed
Mr. Zohaib Hasan
Mr. Muhammad Naveed Iqbal
Mr. Muhammad Usman Ghani
Mr. Hassan Javed

AUDITORS

GRANT THORNTON ANJUM RAHMAN
Chartered Accountants
1st & 3rd Floor, Modern Motors House,
Beaumont Road
Karachi. – 75530

REGISTERED OFFICE

PRC Towers, 32-A, Lalazar Drive
M. T. Khan Road, P.O. Box: 4777
Karachi-74000, Pakistan.
Tele: (92-21) 99202908-15
Telefax: (92-21) 99202921-22
Email: prcl@pakre.org.pk
Website: www.pakre.org.pk

BANKERS

National Bank of Pakistan
Bank Al-Habib Limited
Sindh Bank Limited
Meezan Bank
Dubai Islamic Bank
Bank Alfalah

ZONAL OFFICE

1st Floor, 15-A, Davis Road
State Life Building, Lahore.
Tele: (92-42) 36360242-45
Telefax: (92-42) 36360246

SHARE REGISTRAR

Central Depository Company of Pakistan Limited
CDC House, 99-B,Block-B, SMCHS
Main Shahra-e-Faisal
Karachi-74400, Pakistan
Tele: (92-21) 111-111-500

Directors' Profiles



Mr. Mumtaz Ali Rajper holds a Masters Degree in Economics.

He has more than 33 Years of experience with Pakistan International Airline, Sindh TV and Mehran TV.

He was on PAKRE Board as a Nominee Director of Government of Pakistan since April 2010 and subsequently he was elected as Director effective December 2013. He also serves on the Board of Matrix (Pvt) Limited. He is a certified Director from Institute of Chartered Accountants of Pakistan.



Dr. Musleh ud Din holds a Ph.D. in Economics from the Johns Hopkins University. He has more than 30 years of experience in teaching and policy oriented research. He has been published widely in national and international journals in the areas of macroeconomics, financial sector development and trade policy. He has served as member of various high level committees and is currently a member of the Economic Advisory Council. He also serves as executive editor of the Pakistan Development Review. Dr. Musleh ud Din has conducted a number of research projects under the aegis of the World Bank, Asian Development Bank, and United Nations. He is also a certified Director from Institute of Chartered Accountants of Pakistan.



Dr. Riaz Ahmed Memon, BS-21 (PAS) officer of the Federal Government, presently posted as Chairman, Trading Corporation of Pakistan. Dr. Riaz joined the Civil Services in 1989, he has vast professional experience in Senior Management positions in diversified fields such as Public Health, Engineering, Financial Management, Corporate Audit, Human Resource Management, Local Government, Procurement, Contract Administration, Development Administration, Insurance and Planning etc. He possesses a Master's Degree in Health Economics, Policy and Management from London School of Economics, UK, MSC in Social Policy Planning in Developing Countries, LSE, UK and MBBS from Liaquat Medical College, Jamshoro.



Mr. Kausar Ali Zaidi is a civil servant who has financial and administrative expertise with 22 years of practical experience as DG, Trade Dispute Resolution, Joint Secretary Special Initiatives, Executive Director, Joint Secretary Admin and Insurance, Director General Admin and Director Admin at various Ministries and Divisions. He has also served as Member Policy Board, Security and Exchange Commission of Pakistan (SECP) as a representative of the Ministry of Commerce. He completed his Masters in International Law and Economics (MILE) in 2005 from World Trade Institute, University of Bern, Switzerland and also a Fellowship in International Trade Law in 2006 from IDLO, Sydney, Australia.

Company Profile

PRCL is a Public Sector Company under the administrative control of the Ministry of Commerce. The Company is governed by a Board of Directors, which is assisted by the Management comprising a strong team of professionals who effectively manage the business affairs of the Company. The Seven Member Board comprises four Government Nominee Directors, two Elected Directors, one Nominee of State Life Insurance Corporation of Pakistan.

PRCL's prime objective is provision of reinsurance services in Pakistan. The Company is the sole reinsurer. It providing reinsurance cover to local insurance industry as well as NICL (public sector) by way of treaty and facultative businesses.

Company History

PRCL was established in 1952 as Pakistan Insurance Corporation under PIC Act, 1952, with the objective of supporting the local insurance industry. In the year 2000, Pakistan Insurance Corporation was converted and incorporated as a public limited company namely Pakistan Reinsurance Company Limited vide Ministry of Commerce SRO No.98(1)/2000 was issued under the Presidential Ordinance No. XXXVI of 2000 dated 14th February, 2001.

Classes of Business covered by the Company

- ✓ Fire – Building, Stock, Plant, Machinery, Crop;
- ✓ Marine – Hull, Cargo, (Primary, War liabilities);
- ✓ Aviation – (Aircraft, Cargo, Crew, Passengers, Third Party Liability);
- ✓ Accident – Motor, Fidelity Guarantee, Personal Lines;
- ✓ Liability – Employers Liability, Professional Indemnity, Workman Compensation;
- ✓ Engineering – Property Damage, Business Interruption, Plant, Machinery Breakdown, TPL, Erection All Risks, Contractor All Risks etc.
- ✓ Public Sector Risks: Oil Refineries, Power Projects, Oil and Gas Exploration, Fields / Operations, Hydel Power and Nuclear Power Projects.

Business Operations

The reinsurance operation of the Company consists of the following departments:

- ✓ **Underwriting Department** deals in scrutiny and acceptance of risk offered by local insurers, both under Facultative and Treaty arrangements;
- ✓ **Retrocession Department** undertakes tendering of risks ceded by National Insurance Company Limited including their placement with foreign insurers;
- ✓ **Claims Department** deals with claims notified by cedants both under Facultative and Treaty arrangements.

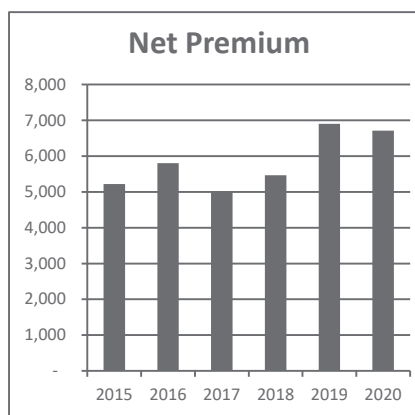
Six Year Performance At A Glance

Rupees in million

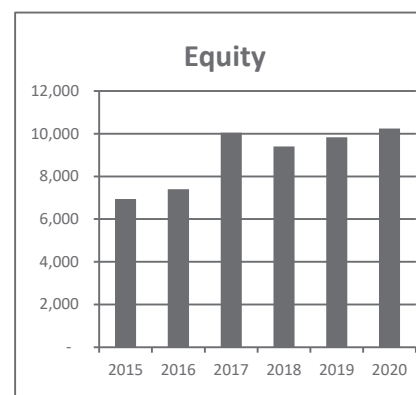
S. No.	PARTICULARS	2020	2019	2018	2017	2016	2015
			(Restated)	(Restated)			
FINANCIAL POSITION							
1	Paid up Capital	3,000	3,000	3,000	3,000	3,000	3,000
2	Reserves (General & Capital)	7,242	6,829	6,408	7,050	4,403	3,938
3	Equity	10,242	9,829	9,408	10,050	7,403	6,938
4	Investment	12,035	10,942	8,634	9,223	6,625	6,318
5	Investment Property	25	27	28	30	31	32
6	Fixed Assets	66	67	43	37	39	44
7	Cash & Bank Deposits	1,571	816	2,602	2,517	2,680	3,285
8	Total Assets	35,765	35,807	24,459	23,983	25,984	17,388
9	Total liabilities	25,523	25,978	15,051	13,933	13,667	10,450
OPERATING RESULTS							
1	Gross Premium	16,896	17,655	10,734	8,036	8,807	8,135
2	Net Premium	6,709	6,905	5,464	5,006	5,802	5,219
3	Net Claims	3,925	4,259	2,990	3,740	3,336	2,775
4	Net Comission	925	1,243	1,047	1,148	1,264	1,101
5	Underwriting Results	766	506	583	(677)	545	722
6	Total Management Expenses	667	775	844	796	657	621
7	Investment Income	1,043	868	691	3,326	961	935
8	Profit Before Tax	1,972	2,189	1,730	2,876	1,427	1,772
9	Profit After Tax	1,391	1,484	1,228	2,226	974	1,377
SHARE INFORMATION AND PAYOUTS							
1	No of Shares (In million)	300	300	300	300	300	300
2	Cash Dividend %	25	20	20	35	25	25
3	Bonus Shares %	-	-	-	-	-	-
4	Total Dividend %	25	20	20	30	25	25
FINANCIAL RATIO ANALYSIS							
1	Claims Ratio	58.50	61.68	54.72	74.71	57.50	53.17
2	Total Assets Turnover (Times)	0.47	0.49	0.44	0.34	0.34	0.47
3	Total Liabilities / Equity (%)	249.20	264.30	159.98	138.64	184.61	150.62
4	Paid-up Capital / Total Assets (%)	8.39	8.38	12.27	12.51	11.55	17.25
5	Equity / Total Assets (%)	28.64	27.45	38.46	41.90	28.49	39.90

Financial Review

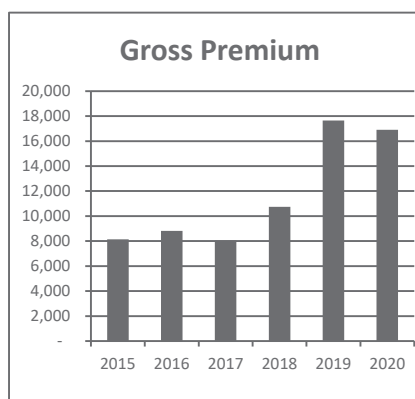
Year	Net Premium
2015	5,219
2016	5,802
2017	5,006
2018	5,464
2019	6,905
2020	6,709



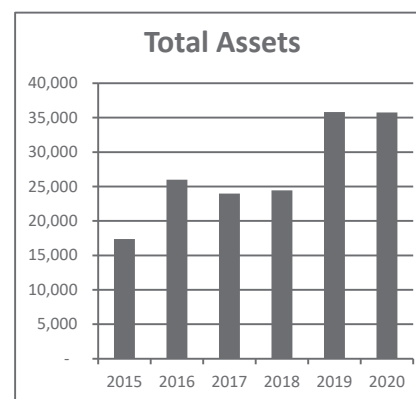
Year	Equity
2015	6,938
2016	7,403
2017	10,050
2018	9,408
2019	9,829
2020	10,242



Year	Gross Premium
2015	8,135
2016	8,807
2017	8,036
2018	10,734
2019	17,655
2020	16,896



Year	Total Assets
2015	17,388
2016	25,984
2017	23,983
2018	24,459
2019	35,807
2020	35,765



Chairman's Review Report

For the Year Ended December 31, 2020

I am pleased to present the Chairman's Review to the stakeholders of Pakistan Reinsurance Company Limited.

During the year, the economic conditions were unprecedented due to Covid-19 pandemic nevertheless, your Company crossed the milestone of achieving more than. Rs 1.3 billion Profit after tax. The Company's growth is supported by all classes of business in a balanced proportion. The Company expects to maintain growth momentum in its core reinsurance business as well as the investment portfolio.

Your Board carries out its fiduciary duties in a comprehensive manner and is assisted in its governance by three Board Committees and four Management Committees. A comprehensive system of controls, governance and risk management is in place to ensure that the Company's assets and the interests of the shareholders are protected. On priority the Company not only ensures strict adherence to the laws of the country but goes beyond by inculcating values that require its employees to operate and deliver with integrity. Furthermore, channels have been established and made available for anyone working in or with the Company to raise their concerns in confidence and without fear of reprisal.

I would like to thank all our business producers and employees for their professionalism and hard work. I also thank the shareholders and Board Members for their commitment and confidence in the Company.

Mumtaz Ali Rajper

Chairman



C.E.O's Message

Business Performance

During 2020, COVID-19 adversely impacted the global economy. Pakistan's economy also underwent considerable Shocks. Despite all odds, the Company was successful to achieve a healthy top line growth in core underwriting business.

Risk Management

The Company continued its efforts to improve its risk management function. The Company's retrocession covers were strengthened to protect the company in case of unforeseen events.

Human Resource

The Company values the efforts of its employees and is working on improving the incentive systems to align the performance of the employees with that of the company. Subsequent to the period under review, the Company has initiated the process of strengthening its middle & senior management through hiring of professionals from the market. Training & development of its employees continues to remain a priority for the long term growth of the Company.

Technological Upgradation

The Company strongly believes that the role of Information Technology is very important for progress of our business. In order to achieve better market infrastructure & implement sound techniques to control risks, the role of I.T. is critical. The Company is currently working on upgradation of its I.T. infrastructure. Towards this objective, the ERP implementation contract has been awarded, which is expected to be completed soon. This will bring the company's technological infrastructure in sync with its current & future requirements, enabling it to better manage business processes and strengthen its risk management systems.

Credit Rating

The credit rating of the Company for the year 2020 was undertaken by M/s. JCR-VIS. The Company's credit rating of AA was re-affirmed with positive outlook. As per standard rating scale & definition, "AA" rating denotes a very low expectation of credit risk. It indicates a very robust capacity for timely payment of financial commitments with no significant vulnerability to foreseeable events.

Directors' Report

to the Shareholders

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Directors' Report of the Company along with the audited Financial Statements and Auditor's report for the year ended December 31, 2020.

Economic Review

During the year 2020, COVID-19 adversely impacted the global economy. Pakistan's economy also underwent considerable changes. The GDP recorded a growth of -0.4%. The agriculture sector's performance increased by 2.67% whereas the Industrial sector went down by 1.40% as compared to FY 19.

The current year also witnessed some of the structural imbalances of Pakistan economy. Average headline CPI inflation stood at 11% in CY 20, which is significantly higher than 1.4% recorded during the same period last year. Core inflation reached 7% in December 2020 which is reflective of an increasing trend in inflation.

Going forward, the pickup in inflation and the continuation of economic challenges are taking their toll on economic performance. Real economic activity is witnessing a slowdown. The recent policy measures and developments including monetary tightening, exchange rate depreciation, changes in import and custom duties and reduction in development expenditure are all likely to dampen domestic demand especially imports. However, the consolidation is expected to facilitate the economy to post a sustainable economic growth in future.

Company Performance Highlights

2020 has been a good year for Pakistan Reinsurance Company Limited. The comparative financial highlights for the year 2020 and 2019 are presented as follows:

Rupees in million (Except as otherwise stated)	2020	2019	%
Gross Premium Written	16,896	17,655	-4%
Net Premium	6,709	6,905	-3%
Net Claims	-3,924	-4,259	-8%
Underwriting Profit	766	506	51%
Investment Income	1,043	868	20%
Rental Income	83	71	17%
Other Income	74	752	-90%
Profit after tax	1,391	1,484	-6%
Earnings per share – Rs.	4.64	4.95	-6%

During the year under review, gross premiums decreased to Rs. 16,896 million from Rs. 17,655 million in 2019, decrease of Rs. 759 i.e. 4%. Net premium decreased to Rs. 6,709 million from Rs. 6,905 million in 2019, decrease of Rs. 196 million i.e. 3%. Net claims decreased to Rs. 3,924 million as compared to Rs. 4,259 million in 2019, decrease of Rs. 335 million, i.e. 8%. The Underwriting profit increased by 51% to Rs. 677 million in 2020 as compared to Rs. 506 million in 2019.

Treaty Business (Proportional)

Proportional Treaty business constitutes 20.32% (2019 : 23.68%) of the Company's total business portfolio. Gross Premium underwritten during the year was Rs. 3,434 million as compared to Rs. 4,180 million in 2019, decrease of Rs. 746 million i.e. 17.84%. Net premium stood at Rs. 3,148 million as against Rs. 3,394 million in 2019. Net claim to net premium ratio for the year under review was 65.03% (2019: 81.82%) resulting in an underwriting loss of Rs. 416 million as against underwriting loss Rs. 887 million in 2019, decrease of Rs. 471 million i.e. 53%.

Treaty Business (Non Proportional)

Non Proportional Treaty business constitutes 5.03% (2019 : 3.93%) of the Company's total business portfolio. Gross Premium underwritten during the year was Rs. 850 million as compared to Rs. 694 million in 2019, increase of Rs. 156 million i.e. 22.47%. Net premium stood at Rs. 603 million as against Rs. 639 million in 2019. Net claim to net premium ratio for the year under review was 59.86% (2019: -7.98%) resulting in an underwriting profit of Rs. 149 million as against underwriting profit Rs. 600 million in 2019, decrease of Rs. 451 million i.e. 75.17%.

Facultative Business

Fire

Fire facultative business constitutes 11.56% (2019: 10.75%) of the total premium portfolio. Gross premium underwritten during the year was Rs.1,954 million as compared to Rs. 1,899 million in 2019, an increase of Rs. 55 million i.e. 2.89%. Net premium stood at Rs. 1,417 million as against Rs. 1,357 million in 2019. The net claim to net premium ratio for the year under review was 79.18% (2019: 43.18%) resulting in an underwriting loss of Rs. 44 million as against profit Rs. 402 million in 2019, decrease of Rs. 446 million i.e 111%).

Marine Cargo & Hull

Facultative business in this class constitutes 2.4% (2019: 3.04%) of the total premium portfolio. Gross premium underwritten during the year was Rs. 407 million as compared to Rs. 537 million in 2019, decrease of Rs. 130 million i.e. 24.28%. Net premium stood at Rs. 187 million as against Rs. 208 million in 2019. The net claim to net premium ratio for the year under review was 19.18% (2019: 15.38%) resulting in an underwriting profit of Rs.127 million as against Rs. 140 million in 2019, decrease of Rs. 13 million i.e.9.28%.

Aviation

Facultative business in this class constitutes 2.07% (2019: 19.43%) of the total premium portfolio. Gross premium underwritten during the year was Rs. 350 million as compared to Rs. 3,431 million in 2019, decrease of Rs. 3,081 million i.e. 89.80%. Net premium stood at Rs. 358 million as against Rs. 325 million in 2019. The net claim to net premium ratio for the year under review was 65.40% (2019: 140%) resulting in an underwriting profit of Rs. 193 million as against loss of Rs. 166 million in 2019, an increase of Rs. 359 million i.e. 216.26%.

Accident

Facultative business in this class constitutes 1.33% (2019: 1.49%) of the total premium under written. Gross premium underwritten during the year was Rs. 224 million as compared to Rs. 263 million in 2019, decrease of Rs. 38 million i.e. 14.35%. Net premium stood at to Rs. 230 million as against Rs. 264 million in 2019,. The net claim to net premium ratio for the year under review was 18.10% (2019: 51.9%) resulting in an underwriting profit of Rs.145 million as against an underwriting profit of Rs.73 million in 2019, an increase of Rs. 72 million i.e. 98.63%.

Engineering

Facultative business in this class constitutes 57.27% (2019: 37.67%) of the total premium portfolio. Gross premium underwritten during the year was Rs. 9,677 million as compared to Rs. 6,651 million in 2019, an increase of Rs. 3,026 million i.e. 45.49%. Net premium stood at Rs. 765 million as against Rs. 718 million in 2019. The net claim to net premium ration for the year under review was 12.02% (2019: 44.99%) resulting in an underwriting profit of Rs. 800 million as against an underwriting profit of Rs. 313 million in 2019, an increase of Rs. 487 million i.e. 155.59%.

Investment Income

During the year under review, Investment, Rental and Other Income contributed Rs. 1,176 million as compared to Rs. 1675 million in 2019, decrease of Rs. 499 million i.e. 27.79%. The decrease is due to some one-off gains during the previous year

Claims Settlement

Timely settlement of claims and customers satisfaction is the Company's highest priority as it helps build the trust of its valued clients and earns their goodwill. The overall net claim to net premium ratio during the year was 58.50% as against 61.67% in 2019.

Cost Control Measures

Management expenses during the year under review were Rs. 666 million as against Rs. 775 million during the previous year, registering a decrease Rs 112 million i.e 14.45%. Management expenses as percentage of Net Premium was 9.92% in CY20 as compared to 11.22% in 2019.

Auditor's Remarks

The Auditors have issued qualified opinion on the following matters:

1. As disclosed in note 13 to the financial statements, loans and other receivables include receivable from Sindh Revenue Board (SRB) amounting to Rs. 2,573.89 (2019: Rs. 2,573.89) million which was recovered by SRB against the sales tax liability on reinsurance services. The Company has recorded this amount as an asset, however the Company could not substantiate any control over the underlying asset and the flow of economic benefits is improbable due to ongoing Court case. Had the Company not recorded this asset, total assets, accumulated profit, shareholders' equity and solvency would have been reduced by the same amount accordingly.

Management Comments

Based on the legal opinion, the Company is expecting a favourable decision from Honorable Sindh High Court and the amount recovered by SRB shall be refunded to the Company. Accordingly, the Company has recorded the amount recovered by SRB as receivable

2. As disclosed in 16, 24, 34, 35, 36, 20, 32, 43 and 50 to the financial statements, certain account balances and class of transactions have been recorded against treaty proportional business. We were unable to obtain sufficient and appropriate audit evidence in respect of such account balances and class of transactions because the Company does not obtain necessary documents from ceding companies for record keeping and verification, but solely relies on the amounts mentioned in statutory quarterly returns for the purpose of recording transactions. Consequently, we were unable to determine whether any adjustment to these amounts were necessary.

Management Comments

As prescribed under section 43 of Insurance Ordinance 2000, the Company records the transactions relating to Premiums, Claims and Commissions on account of its treaty business on the basis of returns received from Ceding Insurance Companies and require supporting documents from them whenever deemed necessary. However, as pointed out by the auditors, further supporting documents are being obtained from ceding companies.

Public Sector Business:

PRCL acts as the re-insurer to National Insurance Company Limited. This includes prestigious accounts such as PIA, PARCO, PSO, OGDCL, PPL, PNSC, KSEW, Public Sector Power Projects etc. During the year under review, the Company's Gross revenues from Public Sector business grew from Rs. 10,203 million to Rs.10,350 million – an increase of 1.44%.

Reinsurance Arrangements

PRCL has excess of loss re-insurance arrangements and relationship with some of the top global reinsurers such as Hannover Re (rated AA- by S&P), XL Re (rated AA- by S&P), Partner Re (A+ by S&P) and Korean Re (rated A by S&P) etc. The Company follows a policy of optimizing risk retention through a carefully designed program of re-insurance. The reinsurance coverage of the Company is based on Company's exposures, accumulation and concentration of risk at a certain location.

E.C.O. Reinsurance Company

The Articles of Agreement (AoA) of ECO Reinsurance Company were signed on February 10, 2010 by the representatives of three Member States, Islamic Republic of Pakistan, the Islamic Republic of Iran and the Republic of Turkey, at Islamabad (Pakistan). The AoA were further ratified by Member States and the last ratification was made by Republic of Turkey on November 22, 2017. The objective of the Company shall be to supplement the existing Reinsurance services, promote the growth of the underwriting & retention capacities and support economic development in the region.

The authorized capital of the Company shall be thirty million USD, divided into three thousand shares with par value of ten thousand US Dollars each, to be equally subscribed by the entities of three countries. Any investment by PRCL in ECO Reinsurance Company shall be subject to approval of Board of Directors, Shareholders / AGM and Compliance of Section 199 of Companies Act-2017.

Credit Rating

The credit rating of the Company for the year 2020 was undertaken by M/s. JCR-VIS. The Company's credit rating of AA was re-affirmed with "Positive outlook". As per standard rating scale & definition, "AA" rating denotes a very low expectation of credit risk. It indicates a very strong capacity for timely payment of financial commitments, no significant vulnerability to foreseeable events.

Profit after Tax

The profit after tax of the Company is Rs.1,391 million as compared to Rs. 1,484 million of last year, showing decrease of Rs.93 million i.e 6.26%.

Appropriations

(Rs. in millions)

	2020	2019
Profit before tax	1,972	2,189
Less: Tax	(581)	(705)
Profit after tax	<u>1,391</u>	<u>1,484</u>
Add: Unappropriated profit brought forward	3,117	2,644
Less: Remeasurement of defined benefit obligation	(167)	(411)
Less: Final cash dividend 2019 @ 20%	(600)	(600)
Unappropriated profit carried forward	<u>3,741</u>	<u>3,117</u>

Proposed Dividend

The Board of Directors has proposed the dividend for 2020 @ 25% for AGM as against 20% approved last year.

Retakaful

This was the second year of operations of Retakaful window. The comparative financial highlights for the year 2020 and 2019 are presented as follows:

Revenue account	2020 (Rupees)	2019 (Rupees)	% (Increase/Decrease)
Participant's Retakaful fund			
Net Contribution Revenue	490,063,340	188,319,490	160.23%
Wakala fee expense	(128,122,229)	(53,496,589)	139.50%
Net claims-IBNR	(420,624,751)	(172,856,227)	143.34%
Contribution Deficiency Reserve	(19,101,777)	-	100.00%
Deficit before investment income	(77,694,714)	(38,033,326)	104.28%
Other income	1,856,259	1,567,004	18.46%
Investment income	5,661,669	471,022	1102.00%
Modarib's shares	(1,879,482)	(509,507)	268.88%
	(1,259,981)	1,528,519	(182.43%)
Ceded money received	-	-	
Deficit before taxation	(78,954,398)	(36,504,807)	116.28%
Taxation	(1,348,372)	-	
Deficit transferred to Accumulated deficit	(80,302,770)	(36,504,807)	119.98%
Revenue Account			
Operator's fund			
Wakala fee income	128,122,229	53,496,589	139.50%
Commission expense	(102,032,546)	(38,208,941)	167.04%
General , administartive and management expenses	(6,947,533)	4,243,734	(263.71%)
	19,142,150	11,043,914	73.33%
Modarib's share of participants' Retakaful fund investment	1,879,482	509,507	268.88%
Investment income	1,202,072	83,277	1343.46%
Other income	20,664,577	1,378,609	1398.94%
	23,746,131	1,971,393	1104.54%
Profit before taxation	42,888,261	13,015,307	229.52%
Taxation	(12,437,596)	(3,774,439)	229.52%
Profit after Taxation	30,450,665	9,240,868	229.52%

During the year under review, gross contribution increased to Rs. 604 million from Rs. 425 million in 2019, increase of Rs. 179 i.e. 42%. Net contribution increased to Rs. 490 million from Rs. 188 million in 2019, increase of Rs. 302 million i.e. 160%. Net claims increased to Rs. 421 million as compared to Rs. 173 million in 2019, increase of Rs. 248 million, i.e. 143%. The Underwriting deficit increased by 51% to Rs. 78 million as compared to Rs. 38 million in 2019.

Treaty Business (Proportional)

Treaty business constitutes 90% (2019 : 77%) of the total business portfolio. Gross Contribution underwritten during the year was Rs. 467 million as compared to Rs. 303 million in 2019, increase of Rs. 164 million i.e. 54%. Net contribution stood at Rs. 349 million as against Rs. 129 million in 2019, increase of Rs. 220 million i.e. 171%. Net claim to net contribution ratio for the year under review was 81% (2019: 99%) resulting in an underwriting deficit of Rs. 33 million as against underwriting deficit of Rs. 37 million in 2019, decrease of 4 million.

Treaty Business (Non-Proportional)

Non-Proportional Treaty business constitutes 13% (2019 : 17%) of the total business portfolio. Gross Contribution underwritten during the year was Rs. 77 million as compared to Rs. 72 million in 2019, increase of Rs. 2 million i.e. 3%. Net contribution stood at Rs. 30 million as against Rs. 27 million in 2019, increase of Rs. 3 million i.e. 11%. Net claim to net contribution ratio for the year under review was 230% (2019: 148%) resulting in an underwriting deficit of Rs. 63 million as against underwriting deficit of Rs. 21 million in 2019, increase of Rs. 42 million i.e. 200%.

Facultative Business

Fire

Fire facultative business constitutes 7.45% (2019: 7.54%) of the total business portfolio. Gross Contribution underwritten during the year was Rs. 45 million as compared to Rs. 32 million in 2019, increase of Rs. 13 million i.e. 41%. Net contribution stood at Rs. 47 million as against Rs. 18 million in 2019, increase of Rs. 39 million i.e. 161%. Net claim to net contribution ratio for the year under review was 147% (2019: 17%) resulting in an underwriting deficit of Rs. 42 million as against underwriting surplus Rs. 11 million in 2019, decrease of Rs. 53 million i.e. 481%.

Marine Cargo & Hull

Facultative business in this class constitutes 0.16% (2019: 0.23%) of the total business portfolio. Gross Contribution underwritten during the year was Rs. 1.04 million as compared to Rs. 0.86 million in 2019, increase of Rs. 0.18 million i.e. 21%. Net contribution stood at Rs. 1.14 million as against Rs. 0.69 million in 2019, increase of Rs. 0.45 million i.e. 65%. Net claim to net contribution ratio for the year under review was 191% (2019: 3.28%) resulting in an underwriting deficit of Rs. 1.3 million as against underwriting surplus of Rs. 0.5 million in 2019, decrease of Rs. 1.8 million i.e. 138%.

Accident

Facultative business in this class constitutes 2.3% (2019: 4.1%) of the total business portfolio. Gross Contribution underwritten during the year was Rs. 14 million as compared to Rs. 17 million in 2019, decrease of Rs. 3 million i.e. 18%. Net contribution stood at Rs. 12 million as against Rs. 14 million in 2019, decrease of Rs. 2 million i.e. 14%. Underwriting surplus was of Rs. 10 million as against Rs. 9 million in 2019, increase of Rs. 1 million i.e. 11%.

Qard-e-Hasna

As on 31st December the net admissible assets of Participants' Retakaful Fund were in negative by Rs. 244.36 million, therefore the Company decided to transfer the same amount from Operator's Fund as Qard-e-Hasna. Since this was only second year of operations, it is expected that Participant's Retakaful Fund would be able to repay the Qard-e-Hasna within next three years by generating underwriting surplus as well as expediting the collection of outstanding contribution.

Employee Welfare

The Company has in place a fund to provide welfare facilities to its employees whereby six employees are sent for Hajj every year. Besides, the Company grants (a) cash awards to the Employees' Children who are Hafiz-e-Quran and secure A+ grade in Secondary and Higher Education, (b) pension to the retiring employees having a long association with the Company, and (c) burial & compensation packages for families of employees who pass away during service.

Board Structure and Committees

The Board structure is in accordance with the Listed Companies (Code of Corporate Governance), 2019, Public Sector Companies (Code of Corporate Governance) Rules, 2013 and Code of Corporate Governance for Insurers, 2016, issued by the Securities and Exchange Commission of Pakistan.

In order to ensure effective implementation of sound internal control systems and compliance with the Code of Corporate Governance, the Board has constituted various Committees which are seven (07) in number. This includes, three Board Committees and four Management Committees. The composition of all Committees is separately shown in the report under the section of Corporate Information.

Future Outlook

The Business environment continues to be challenging. The macroeconomic environment, higher inflation and multiple rounds of currency devaluation has made business conditions even more demanding. Despite the challenges, the Company remains committed to enhancing shareholder value and is focused on enhancing its shares in both treaty and facultative business. Re-takaful operations will also add to the income stream of the Company. In view of higher returns on fixed income instruments, the fixed income portfolio of the Company shall bring higher returns while we remain cautiously optimistic about the performance of our equity portfolio. Overall the company maintains an optimistic outlook on its business performance going forward.

Internal Controls

The internal control framework has been effectively implemented through an in-house Internal Audit function established by the Board which is independent of the External Audit Function. The Internal Audit function has carried out its duties under the charter defined by the Audit Committee. The Audit Committee has reviewed Internal Audit reports taking appropriate action where necessary. Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with the laws and regulations.

Risk Management Policy

The Company has developed and implemented a risk management policy which identifies major risks which may threaten the existence of the Company. The Company's Risk Management approach comprises of quantitative & qualitative evaluation of risks and minimizing its hazards. An elaborate risk management policy has been approved by the Board which is subject to its review from time to time. Risk mitigation process and measures have been formulated and clearly spelled out in the said guidelines.

Code of Conduct

The Company has designed code of conduct to ensure ethical conduct & integrity by all employees. All the operations of the company are undertaken in a fair and transparent manner strictly following the code of conduct.

Directors' Training Program

Majority of the directors of the company are certified directors under the Directors Training program.

Directors' Remuneration Policy

The remuneration of directors is approved by the Shareholders at the Annual General meeting on the recommendation of Board of Directors.

Performance Evaluation of Board of Directors

Pursuant to Rule 8 (1) of the Public Sector Corporate Governance, Rules 2013 and the policy approved by the Board, the Performance Evaluation of CEO and Nominee Directors of the Board is undertaken by the Federal Government and that of independent directors by the Chairman of the Board. The evaluation framework comprises of qualitative assessment of individual Board members.

Related Party Transactions

At each Board meeting, the Board of Directors approves the Company's transactions with Associated Companies / Related Parties. All the transactions executed with related parties are on arm's length basis.

Ownership

As of December 31, 2020, there were 2,556 shareholders on the record of the Company.

Pattern of Shareholding

The pattern of shareholding of the company as at December 31, 2020, along with the necessary information is available at the end of this report.

Statement on Corporate and Financial Reporting Framework:

PRCL being a Listed Company adheres to the Listed Companies (Code of Corporate Governance), 2019 and all other listing regulations. The Company is also public sector enterprise and operates under the framework of Public Sector Companies (Code of Corporate Governance Rules), 2013 and Code of Corporate Governance for Insurers, 2016. The Directors confirm compliance with all reporting and disclosure requirements as envisaged in the Companies Act, 2017, Insurance Ordinance 2000, and Rules, made there under. The Directors confirm compliance with the corporate and Financial Reporting Framework of the SECP Code of Corporate Governance for the following:-

- a) The Financial Statements, prepared by the management of the Company, present fairly, its state of affairs, the result of its operations, cash flows and changes in equity;
- b) The Company has maintained proper books of accounts;
- c) The Company has followed consistently appropriate accounting policies in preparation of the Financial Statements, changes have been adequately disclosed and accounting estimates are made on the basis of prudent and reasonable judgement;
- d) Financial Statements have been prepared by the Company in accordance with the International Accounting Standards, as applicable in Pakistan, requirements of Companies Act, 2017, Insurance Ordinance, 2000, and the Securities and Exchange Commission (Insurance) Rules, 2017;

- e) The system of internal control is in place and internal audit department is in complete function;
- f) There are no doubts upon the Company's ability to continue as a going concern;
- g) There is no material departure from the best practices of Listed Companies (Code of Corporate Governance), 2019, as laid down in the listing regulations and Public Sector Companies (Code of Corporate Governance) Rules, 2013, and Code of Corporate Governance for Insurers, 2016;
- h) The Directors are qualified under directors Training Programme;
- i) Presentation was given to newly appointed Directors to acquaint them with the relevant laws and their responsibilities;
- j) The Company has 8.34% shareholding of National Investment Trust Limited (NITL) and as such has its representation on the Board of NITL by one of its Directors. Currently the CEO of PRCL is representing the Company on NITL Board.
- k) The appointment of the Chairman and other members of the Board and the terms of their appointment along with the remuneration policy are adopted in the best interests of the Company as well as in line with the best practices;
- l) Non-executive Directors do not have fixed remuneration and are being paid a fixed fee for each meeting attended. Disclosure on remuneration of Chief Executives, Directors and Executives, as applicable, is separately shown in the report;
- m) Summarised key operating and financial data of the last 6 years is separately shown in the report;
- n) The pattern of shareholding is separately shown in the report;
- o) The value of investment in pension, gratuity and provident fund is also disclosed as under:

	2020	2019
	(Rs. in millions)	
Pension and Gratuity Fund	983	931
General Provident Fund / Provident Fund	149	141

Board Meetings and Attendance

In the year 2020, the Board formed various Committees, the detail of the meetings held and the attendance of each Director is given hereunder:-

		Board of Directors	Audit Committee	Ethics, HR & Remuneration / Committee	Underwriting / Reinsurance Committee	Claim Settlement Committee	Risk Management & Compliance Committee	Investment Committee	Procurement Committee
No. of Meetings		6	4	2	2	2	2	1	1
S. No.	Name of Directors	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
1	Mr. Mumtaz Ali Rajper, Chairman	6	4	2	---	2	---	1	---
2	Dr. Riaz Ahmed Memon, As CEO	3	---	---	---	---	---	---	---
3	Mr. Manzoor Ali Shaikh, CEO	3	---	2	---	---	---	1	---
4	Dr. Riaz Ahmed Memon, As Director	3	---	---	---	---	1	1	---
5	Mr. Asad Manzoor Halepota	3	2	---	---	---	---	---	---
6	Mr. Faisal Mumtaz	3	---	---	1	---	1	---	---
7	Ms. Maria Kazi	3	---	---	---	---	---	---	---
8	Dr. Musleh-ud-Din	6	4	1	---	---	---	1	---
9	Dr. Kausar Ali Zaidi	3	2	2	1	---	---	---	1

Leave of absence was granted by the Board to Directors who could not attend some of the meetings.

Changes in the Board of Directors

The Board welcomed every Non-executive / Nominee / Ex-officio Directors who joined it and also recorded appreciation of the services and contribution of all Directors during the period under review.

Contribution to the National Exchequer outgoing

During the year, your Company contributed an amount of Rs. 297 million (2019: Rs. 412 million) to the government treasury on account of taxes, levies and other duties.

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by concerned regulatory authorities have been duly complied with.

Audit Committee of the Board

The Board, in compliance with the Code of Corporate Governance, constituted an Audit Committee and its terms of reference have been approved by the Board. The names of the members of Committee are given in the section of Corporate Information.

Performance of the Company during the last six years

	2020	2019 (Restated)	2018 (Restated)	2017	2016	2015
Gross Premium	16,896	17,655	10,734	8,036	8,807	8,135
Net Premium	6,709	6,905	5,464	5,006	5,802	5,219
Net Commission	925	(1,243)	(1,047)	(1,148)	(1,264)	(1,101)
Net Claims	3,924	(4,259)	(2,990)	(3,740)	(3,336)	(2,775)
Management Expenses	(666)	(775)	(844)	(796)	(657)	(621)
Underwriting Profit/(Loss)	1,192	628	583	(677)	545	722
Investment Income	1,043	868	691	3,326	961	935
Profit before Tax	1,972	2,189	1,730	2,876	1,427	1,772
Profit after Tax	1,392	1,484	1,228	2,226	974	1,377

Trading in the Company Shares

No trading in the shares of Company was undertaken by Directors and Key Officers.

Appointment of Auditors

Financial Statements for the year 2020 have been audited by M.s Grant Thornton Anjum Rahman Chartered Accountants. Being eligible, they have offered themselves for reappointment for the year 2020. The Board of Directors, on the recommendation of Audit Committee recommends the name of M.s Grant Thornton Anjum Rahman Chartered Accountants, for appointment as external auditors for the year 2021.

The external auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, and that the firm and all their partners are compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under all applicable laws.

Acknowledgement

In the end, your Directors would like to thank all insurance companies, Securities and Exchange Commission of Pakistan and Pakistan Stock Exchange for their support and guidance. We also acknowledge the hard work and dedication of the officers and staff of the Company.

For and on behalf of the Board of Directors

Chairman / Director

ناظمین کی رپورٹ

برائے حصص کنندگان

محترم حصص کنندگان

بورڈ کے ناظمین کی جانب سے 31 دسمبر 2020 کو اختتام پذیر سال پر، ناظمین کی رپورٹ جمع محتسب شدہ مالیاتی دستاویزات اور محاسبین (Auditors) کی رپورٹ پیش کرتے ہوئے ہم خوشی محسوس کرتے ہیں۔

معاشی جائزہ

سال 2020 کے دوران کووڈ-19 کی عالمی وباء نے عالمی معیشت کو متاثر کیا۔ پاکستان کی معیشت میں بھی خاصی تبدیلیاں آئیں۔

مجموعی قومی پیداوار کی نمونے منفی 0.4 فیصد کا اندراج کیا۔ زراعت کے شعبے کی کارکردگی میں 2a.67 فیصد کا اضافہ ہوا۔ صنعتی شعبے کی ترقی، مالی سال 2019 کے 4.92 فیصد کے مقابلے میں اس سال 2020 میں 1.40 فیصد رہی۔

اختتام پذیر سال میں پاکستان کی معیشت نے بھی کچھ ڈھانچاتی (structural) عدم توازن دیکھا۔ اوسط شدہ سرخی صارفین کی قیمتوں کے انڈیکس (CPI) کی افراط زر سال 2020 میں 11 فیصد رہا جو گذشتہ سال اسی مدت کی 1.4 فیصد سے کافی زیادہ ہے۔ دسمبر 2020 میں کلیدی (core) افراط زر 7 فیصد تک پہنچ گیا جو افراط زر میں اضافے کا عکاس ہے۔

علاوہ ازیں، افراط زر کا بڑھنا اور معاشی مشکلات کا تسلسل، معاشی کارکردگی پر اثرات دکھا رہے ہیں۔ حقیقی معاشی سرگرمی میں سست روی نظر آرہی ہے۔ حالیہ پالیسی کے اقدامات اور ترقی بشمول مالیاتی سختی، مبادلہ نرخ میں گراؤ، درآمدات میں تبدیلیاں، کسٹم ڈیوٹیاں اور ترقیاتی اخراجات میں کمی سے امکان ہے کہ ملکی طلب کو کم کر دے گی خاص طور پر درآمدات۔ تاہم، توقع ہے کہ انضمام معیشت کے لیے آسانیاں پیدا کرے گا اور مستقبل میں تسلسل سے جاری رہنے والی معیشت میں نمو کا اندراج ہو گا۔

کمپنی کی کارکردگی کی جھلکیاں

سال 2020 پاکستان ری انشورنس کمپنی لمیٹڈ کے لیے اچھا رہا۔ سال 2020 اور 2019 کا مالیاتی جھلکیوں کا تقابلی جائزہ درج ذیل ہے:

روپے ملین میں

(سوائے بصورت دیگر بیان کردہ)

فیصد تبدیلی	2019	2020	
-4%	17,655	16,896	مجموعی پرییم
-3%	6,905	6,709	خالص پرییم
-8%	-4,259	-3,924	خالص دعوے
51%	506	766	ضمانتی بیمہ (underwriting) کا منافع
20%	868	1,043	سرمایہ کاری سے آمدنی

17%	71	83	کرایہ داری کی آمدنی
-90%	752	74	دیگر آمدنی
-6%	1,484	1,392	منافع بعد از محصول
-6%	4.95	4.64	آمدنی فی حصص - روپے

زیر غور جائزہ سال کے دوران مجموعی پریمیوم کم ہو کر 16,896 ملین روپے ہو گیا جبکہ سال 2019 میں اس کی مالیت 17,655 ملین روپے تھا، اس طرح سے کمی 759 روپے یعنی 4 فیصد۔ خالص پریمیوم کم ہو کر 6,709 ملین روپے ہو گیا جبکہ سال 2019 میں اس کی مالیت 6,905 ملین روپے تھی، اس طرح سے کمی 196 ملین روپے یعنی 3 فیصد۔ خالص دعوے کم ہو کر 3,924 ملین روپے ہو گیا جبکہ سال 2019 میں اس کی مالیت 4,259 ملین روپے تھا، اس طرح سے کمی 335 ملین روپے یعنی 8 فیصد۔ سال 2020 کے دوران، ضمانتی بیمہ (Underwriting) کے نتیجے میں 90 فیصد اضافے کے ساتھ 1,192 ملین روپے ہو گیا جبکہ سال 2019 میں 628 ملین تھا۔

معاهداتی (Treaty) کاروبار (متناسب)

کمپنی کے کل کاروبار کے پورٹ فولیو میں متناسب معاهداتی (Treaty) کاروبار کا 20.32 فیصد (2019: 23.68 فیصد) حصہ رہا۔ سال 2019 کے تحریر شدہ مجموعی پریمیوم کے 4,180 ملین روپے کے مقابلے میں 3,434 ملین روپے رہا۔ کمی 746 ملین روپے یعنی 17.84 فیصد۔ خالص پریمیوم سال 2019 کے 3,394 ملین روپے کے مقابلے میں رواں سال 3,148 ملین روپے رہا۔ زیر جائزہ سال کا خالص دعوے سے خالص پریمیوم کا تناسب 65.03 فیصد تھا (2019: 81.82 فیصد) جس کا نتیجہ سال 2019 کے 887 ملین روپے کے ضمانتی بیمہ (underwriting) نقصان کے مقابلے میں رواں سال اس کی مالیت میں کمی کے ساتھ 416 ملین روپے رہی، کمی 471 ملین روپے یعنی 53 فیصد۔

معاهداتی (Treaty) کاروبار (غیر متناسب)

کمپنی کے کل کاروبار کے پورٹ فولیو میں غیر متناسب معاهداتی (Treaty) کاروبار کا 5.03 فیصد (2019: 3.93 فیصد) حصہ رہا۔ سال 2019 کے تحریر شدہ مجموعی پریمیوم کے 694 ملین روپے کے مقابلے میں 850 ملین روپے رہا یعنی اضافہ 156 ملین روپے یا 22.47 فیصد۔ خالص پریمیوم سال 2019 کے 639 ملین روپے کے مقابلے میں رواں سال 603 ملین روپے رہا۔ زیر جائزہ سال کا خالص دعوے سے خالص پریمیوم کا تناسب 59.86 فیصد تھا (2019: 7.98 فیصد) جس کا نتیجہ سال 2019 کے 600 ملین روپے کے ضمانتی بیمہ (underwriting) منافع کے مقابلے میں رواں سال اس کی مالیت میں کمی کے ساتھ 149 ملین روپے رہی، کمی 451 ملین روپے یعنی 75.17 فیصد۔

اختیاری کاروبار:

آگ:

اختیاری کاروبار کے سلسلے میں، آگ کے کاروبار کی قسم کا کل پریمیوم پورٹ فولیو میں 11.56 فیصد (2019: 10.75 فیصد) حصہ ہے۔ سال کے دوران مجموعی پریمیوم جو تحریر کیا گیا 1,954 ملین روپے تھا اس کے مقابلے میں 2019 میں 1,899 ملین روپے، اضافہ 55 ملین روپے یعنی 2.89 فیصد۔ خالص پریمیوم سال 2019 کے 1,357 ملین روپے کے مقابلے میں 1,417 ملین روپے تھا۔ زیر غور سال کے لیے خالص دعوے سے خالص پریمیوم کا تناسب 79.18 فیصد (2019: 43.18 فیصد) تھا جس کا نتیجہ انڈر رائٹنگ کا نقصان 44 ملین روپے تھا جو سال 2019 میں 402 ملین روپے تھا، کمی 446 ملین یعنی 111 فیصد۔

بحری ترسیل بار برداری (Marine Cargo) اور جہاز کا ڈھانچہ (Hull):

اختیاری کاروبار کے دیگر سلسلے میں بحری ترسیل بار برداری اور جہاز کے ڈھانچے کی قسم کے کاروبار کا کل پر بیم پورٹ فولیو میں 2.4 فیصد (2019: 3.04 فیصد) تھا۔ سال کے دوران تحریر کردہ مجموعی پر بیم 407 ملین روپے اور اس کے مقابلے میں سال 2019 میں 537 ملین روپے تھا، کمی 130 ملین روپے یعنی 24.28 فیصد۔ خالص پر بیم 187 ملین روپے رہا اس کے مقابلے میں سال 2019 میں 208 ملین روپے تھا۔ زیر غور سال کے لیے خالص دعوے سے خالص پر بیم کا تناسب 19.18 فیصد (2019: 15.38 فیصد) تھا جس کا نتیجہ انڈر رائٹنگ کا منافع 127 ملین روپے تھا جو سال 2019 میں 140 ملین روپے تھا، کمی 13 ملین روپے یعنی 9.28 فیصد۔

ہوا بازی (Aviation):

اختیاری کاروبار کے دیگر سلسلے میں ہوا بازی کی قسم کے کاروبار کا کل پر بیم پورٹ فولیو میں 2.07 حصہ (2019: 19.43 فیصد) رہا۔ سال کے دوران مجموعی پر بیم جو تحریر کیا گیا 350 ملین روپے تھا اس کے مقابلے میں سال 2019 میں 3,431 ملین روپے تھا، کمی 3,081 ملین روپے یعنی 89.80 فیصد۔ خالص پر بیم 358 ملین روپے رہا اس کے مقابلے میں سال 2019 میں 325 ملین روپے تھا۔ زیر غور سال کے لیے خالص دعوے سے خالص پر بیم کا تناسب 65.40 فیصد (2019: 140 فیصد) تھا جس کا نتیجہ انڈر رائٹنگ کا منافع 193 ملین روپے رہا جبکہ سال 2019 میں 166 ملین روپے کا نقصان تھا، اضافہ 359 ملین روپے یعنی 216.26 فیصد۔

حادثات

اختیاری کاروبار کے دیگر سلسلے میں۔ حادثات اور صحت کی قسم کے کاروبار کا کل پر بیم پورٹ فولیو میں 1.33 فیصد (2019: 1.49 فیصد) حصہ رہا۔ سال کے دوران مجموعی پر بیم جو تحریر کیا گیا 224 ملین روپے تھا اس کے مقابلے میں سال 2019 میں 263 ملین روپے رہا، کمی 38 ملین روپے یعنی 14.35 فیصد۔ خالص پر بیم سال 2019 کے 264 ملین روپے کے مقابلے میں 230 ملین رہا۔ زیر غور سال کے لیے خالص دعوے سے خالص پر بیم کا تناسب 18.10 فیصد (2019: 51.9 فیصد) تھا جس کا نتیجہ انڈر رائٹنگ کا منافع 145 ملین روپے رہا جو سال 2019 میں 73 ملین روپے تھا، اضافہ 72 ملین روپے یعنی 98.63 فیصد۔

انجینئرنگ

اختیاری کاروبار کے دیگر سلسلے میں انجینئرنگ کی قسم کے کاروبار کا کل پر بیم پورٹ فولیو میں 57.27 فیصد (2019: 37.67 فیصد) حصہ ہے۔ زیر غور سال کے دوران مجموعی پر بیم جو تحریر کیا گیا 9,677 ملین روپے تھا اس کے مقابلے میں سال 2019 میں 6,651 ملین روپے تھا، اضافہ 3,026 ملین روپے یعنی 45.49 فیصد۔ خالص پر بیم سال 2019 کے 718 ملین روپے کے مقابلے میں 765 ملین ہو گیا۔ زیر غور سال کے لیے خالص دعوے سے خالص پر بیم کا تناسب 12.02 فیصد (2019: 44.99 فیصد) تھا جس کا نتیجہ انڈر رائٹنگ کا منافع 800 ملین روپے رہا جو سال 2019 میں 313 ملین روپے تھا، اضافہ 487 ملین روپے یعنی 155.59 فیصد۔

سرمایہ کاری سے آمدن

زیر جائزہ سال کے دوران، سرمایہ کاری، کرایہ داری اور دیگر آمدنی نے کمپنی کے مالی معاملات میں 1,176 ملین روپے کا حصہ ڈالا اس کے مقابلے میں سال 2019 میں 1,675 ملین روپے تھا، کمی 499 ملین روپے یعنی 27.79 فیصد۔ گزشتہ سال کے دوران یہ کمی کسی ایک مرتبہ کے فائدے سے حاصل ہوئی تھی۔

دعووں کا تصفیہ (Claims Settlement):

کمپنی کی بلند ترین ترجیح دعووں کے بروقت تصفیے اور گاہکوں کا اطمینان ہے جس نے معزز گاہکوں کا اعتماد کی تشکیل میں مدد دی۔ سال 2019 میں 61.67 فیصد کے کل دعووں سے خالص پر بیم کا تناسب کے مقابلے میں رواں سال 58.50 فیصد رہا۔

لاگت میں کمی کے اقدامات

زیر جائزہ سال کے دوران انتظامی اخراجات 666 ملین روپے جبکہ گذشتہ سال کے دوران 775 ملین روپے تھے، جس نے 112 ملین روپے کا اندراج کیا یعنی 14.45 فیصد۔ سال 2020 میں انتظامی اخراجات، خالص پر بیمہ کے مقابلے میں 9.92 فیصد رہے جو 2019 میں 11.22 فیصد تھا۔ آنے والے دنوں میں انتظامیہ کی کوشش ہوگی کہ خالص پر بیمہ میں لاگتوں کی فیصد کو کم کرنے کی کوشش کرتے رہیں۔

محاسبین (Auditors) کا تبصرہ

محاسبین نے مندرجہ ذیل معاملات پر اپنی کوالیفائیڈ (qualified) رائے دی ہے۔

1. جیسا کہ مالیتی دستاویزات کے نوٹ 13 میں ظاہر کیا گیا ہے کہ، قرضہ جات اور دیگر وصولیایاں بشمول سندھ بورڈ آف ریونیو (SRB) سے وصولیائی کی مالیت 2,573.89 (2019: 2,573.89) ملین روپے جو SRB نے ری انشورنس کی خدمات پر بطور سبزی ٹیکس کی مالی ذمہ داری کے وصول کیا ہے۔ کمپنی نے اس رقم کو اپنا اثاثہ دکھایا ہے، تاہم کمپنی مذکورہ بالا اثاثہ پر اپنے اختیار کی توثیق نہیں کر سکا اور عدالت میں مقدمہ ہونے کی وجہ اس کے معاشی فوائد قرین قیاس ہے۔ اگر کمپنی اس اثاثہ کا اندراج نہ کیا ہوتا تو، کل اثاثہ جات، جمع شدہ منافع، حصص کنندگان کا ملکیتی سرمایہ اور قرضہ جات کی ادائیگی کی صلاحیت اسی مناسبت سے ان کی مالیت کم ہو سکتی تھی۔

انتظامیہ کا تبصرہ

قانونی رائے کے مطابق، کمپنی کو توقع ہے کہ معزز عدالت عالیہ کی جانب سے موافق فیصلہ آئے گا اور سندھ بورڈ آف ریونیو (SRB) کی جانب سے وصول کردہ سبزی ٹیکس کی رقم کمپنی کو واپس مل جائے گی۔ اس وجہ سے کمپنی نے اس رقم کو SRB سے بطور وصولی کے اندراج کیا ہے۔

جیسا کہ مالیتی دستاویزات کے نوٹ نمبر 16، 24، 34، 35، 36، 20، 32، 43 اور 50 میں ظاہر کیا گیا ہے، کچھ کھاتوں کے بقایا جات اور مختلف درجہ کے لین دین کے سودوں کی کا اندراج متناسب معاہداتی (Treaty) کاروبار کی مد میں کیا گیا ہے۔ ہم ایسے کھاتوں کے بقایا جات اور مختلف درجہ کے لین دین کی کافی اور مناسب محاسبی شہادتیں حاصل نہیں کر پائے جس کی وجہ یہ کہ کمپنی ان مالیت کارڈ اور توثیق کے لیے سیڈنگ کمپنیز سے متعلقہ ضروری دستاویزات نہیں طلب کرتی بلکہ لین دین کے اندراج جو دستوری سہ ماہی رٹرنز میں درج مالیت پر انحصار کرنا پڑتا ہے۔ نتیجتاً، ہم اس بات کا تعین کرنے سے قاصر ہیں کہ ان رقموں میں کوئی ترمیم کرنا ضروری ہے۔

انتظامیہ کا تبصرہ

جیسا کہ انشورنس آرڈیننس 2000 کی شق نمبر 23 میں درج ہے، معاہداتی (Treaty) کاروبار کے سلسلے میں کمپنی پر بیمہ، دعوے اور کمیشن سے متعلق کھاتوں کا اندراج سیڈنگ انشورنس کمپنیز کی جانب سے رٹرنز کی بنیاد پر کرتی ہے اور جب کبھی مناسب سمجھے تو ان سے متعلقہ دستاویزات طلب کرتی ہے۔ جیسا کہ محاسب نے نشاندہی کی ہے، سیڈنگ انشوررز سے مزید متعلقہ دستاویزات طلب کی جا رہی ہیں۔

پبلک سیکٹر کاروبار

کمپنی نیشنل انشورنس کمپنی لمیٹڈ کے ری انشورنس کرنے والی کمپنی کے طور پر کام کرتی ہے۔ اس میں شامل چند اعلیٰ شہرت کے اکاؤنٹس ہیں مثلاً PSO، PARCO، PIA، KSEW، PNSC، PPL، OGDC، پبلک سیکٹر کے توانائی کے منصوبے وغیرہ شامل ہیں۔ زیر جائزہ سال کے دوران، کمپنی کی پبلک سیکٹر کاروبار سے مجموعی مالگہ ارب (revenues) 10,203 ملین روپے سے بڑھ کر 10,350 ملین روپے ہو گئی تھی، اضافہ 1.44 فیصد۔

ری انشورنس کے انتظامات

PRCL کے پاس اضافی ری انشورنس کے نقصان کے انتظامات ہیں اور دنیا کے معروف ری انشورنس کرنے والی کمپنیوں سے تعلقات ہیں جیسا کہ ہنورری (S&P کی AA-)، XL، ری (S&P کی AA- درجہ بندی)، پارٹنری (S&P کی A+ درجہ بندی) اور کورین ری (S&P کی A درجہ بندی) وغیرہ وغیرہ۔ کمپنی زیادہ سے زیادہ خطرے کو سنبھالنے کی پالیسی پر عملدرآمد کرتی ہے جو کہ محتاط ری انشورنس پروگرام کے تحت بنائی گئی ہے۔ کمپنی کے ری انشورنس کے احاطہ کی بنیاد خطرے کے مقام پر کمپنی کی شمولیت، اس کا جمع ہونا اور اس کا ارتکاز (concentration) ہے۔

E.C.O. ری انشورنس کمپنی

10 فروری 2010ء پر اسلام آباد (پاکستان) میں E.C.O. ری انشورنس کمپنی کا آرٹیکل آف ایگریمنٹ (AoA) پر تین رکن ریاستوں، اسلامی جمہوریہ پاکستان، اسلامی جمہوریہ ایران اور ترکی کے نمائندگان کے درمیان دستخط ہوئے۔ AoA کی مزید منظوری رکن حکومتوں نے دی اور آخری منظوری ترکی نے 22 نومبر 2017ء میں دی۔ کمپنی کا مقصد موجودہ ری انشورنس کی خدمات کو بڑھانا، انڈر رائٹنگ (underwriting) اور خطرے کا سنبھالنے کی صلاحیت کو بڑھانا اور نخلے کی معاشی ترقی میں معاونت کرنا ہے۔

کمپنی کا منظور شدہ سرمایہ تیس ملین امریکی ڈالر ہو گا جو دس ہزار امریکی ڈالر فی حصص کی مالیت کے تین ہزار حصص پر مشتمل ہو گا اور تینوں ملکوں کے اداروں میں مساوی طور پر تقسیم ہو گا۔ PRCL کی جانب سے ECO ری انشورنس کمپنی میں کوئی بھی سرمایہ کاری بورڈ کے ناظمین، حصص کنندگان / AGM کی منظوری اور کمپنیز ایکٹ 2017 کے سق 199 کی تعمیل سے مشروط ہو گا۔

کریڈٹ درجہ بندی

کمپنی کی سال 2020ء کی درجہ بندی میسرز JCR-VIS نے کی ہے۔ کمپنی کی دوبارہ توثیق کردہ درجہ بندی "AA" تھی اور مستقبل کا منظر نامہ (outlook) مستحکم تھا۔ درجہ بندی کے معیار کے پیمانے اور تعریف کے مطابق "AA" درجہ بندی کریڈٹ رسک کی انتہائی کم توقع ظاہر کرتا ہے، اور یہ مالی ادائیگیوں کے وعدوں کی بروقت ادائیگی کی انتہائی مستحکم استعداد کی نشاندہی کرتی ہے اور کسی ممکنہ واقعات میں کوئی خاص عدم تحفظ (vulnerability) نہیں ہے۔

منافع بعد از محصول

کمپنی کا منافع بعد از محصول گزشتہ سال کے 1,484 ملین روپے کے مقابلے میں رواں سال 1,391 ملین روپے رہا جو 93 ملین روپے کی کمی یعنی 6.26 فیصد ظاہر کر رہا ہے۔

مختصات (appropriations)

(روپے ملین میں)		
2019	2020	
2189	1,972	منافع قبل از محصول
(705)	(581)	نفی: محصول
1484	1,392	منافع بعد از محصول

2,644	3117	جمع: غیر مختص شدہ پچھلا منافع جو آگے بڑھایا گیا
(411)	(167)	جمع: مجموعی آمدن
(600)	(600)	نئی: حتمی نقد منقسمہ منافع 2019 @ 20%
3117	3742	غیر مختص شدہ منافع جو آگے بڑھایا گیا

مجوزہ منقسمہ منافع

SECP کی تجاویز اور بورڈ کے ناظمین کے نیٹس شیٹ کو مستحکم کرنے اور قائم رکھنے (retention) / استعداد (capacity) میں بہتری کے فیصلوں کے پیش نظر، بورڈ آف ڈائریکٹرز نے سالانہ عام اجلاس کی منظوری کے لیے گذشتہ سال کے منظور کردہ 20 فیصد منقسمہ منافع کے مقابلے میں سال 2020 کے لیے 25 فیصد تجویز کیا ہے۔

ری نکافل

یہ، ری نکافل ونڈو آپریشن کا ورسر سال تھا۔ سال 2020 اور 2019 کی مالیاتی جھلکیوں کا تقابلی جائزہ درج ذیل پیش ہے:-

(روپے ملین میں)

مالگڈ اری کا کھاتہ	2020	2019	فیصد
شراکت داروں کی کاروباری - نکافل فنڈ	490,063,340	188,319,490	160.23%
مالگڈ اری میں خالص حصہ	-128,122,229	-53,496,589	139.50%
وکالہ فیس اخراجات	-420,624,751	-172,856,227	143.34%
خالص دعوے - IBNR	-19,101,777	-	
سرمایہ کاری سے پہلے خسارہ	-77,694,714	-38,033,326	104.28%
دیگر آمدن	1,856,259	1,567,004	18.46%
سرمایہ کاری سے آمدن	5,661,669	471,022	1102.00%
مضارب کے حصص	-1,879,482	-509,507	268.88%
	-1,259,981	1,528,519	182.43%

	-	-
116.28%	-36,504,807	-78,954,398
	-	-1,348,372
119.98%	-36,504,807	-80,302,770

سید منی کی وصولی

خسارہ قبل از محصول

محصول

خسارے کی جمع شدہ خسارے میں منتقلی

مالگداری کا کھاتہ

آپریٹر کا فنڈ

وکالہ کی فیس

کمیشن کے اخراجات

جزل، انتظامی اخراجات اور انتظامیہ کے اخراجات

سید کی رقم جو شراکت داروں کے ری نکال فنڈ کو ادا کی

139.50%	53,496,589	128,122,229
167.04%	-38,208,941	-102,032,546
-263.71%	4,243,734	-6,947,533
	-	-
73.33%	11,043,914	19,142,150

268.88%	509,507	1,879,482
1343.46%	83,277	1,202,072
1398.94%	1,378,609	20,664,577
1104.54%	1,971,393	23,746,131
229.52%	13,015,307	42,888,261
229.52%	-3,774,439	2,437,596
229.52%	9,240,868	30,450,665

ری نکال فنڈ کی سرمایہ کاری کی آمدنی میں مضارب کا حصہ

سرمایہ کاری سے آمدن

دیگر آمدن

منافع قبل از محصول

منافع قبل از محصول

محصول

منافع بعد از محصول

زیر غور سال کے دوران، سال مجموعی حصہ بڑھ کر 604 ملین روپے رہا جو 2019 میں 425 ملین روپے تھا، اضافہ 179 ملین روپے یعنی 42 فیصد۔ سال 2019 کے 188 ملین روپے کے خالص حصہ بڑھ کر 490 ملین روپے رہے، اضافہ 302 ملین روپے یعنی 160 فیصد۔ سال 2019 کے 173 ملین روپے کے خالص دعویٰ بڑھ کر 421 ملین روپے رہے، اضافہ 248 ملین روپے یعنی 143 فیصد۔ سال 2019 کے 38 ملین روپے کے انڈر رائٹنگ کا خسارہ 38 ملین روپے میں 51 فیصد اضافے سے بڑھ کر 78 ملین روپے رہا۔

معاهداتی (Treaty) کاروبار (متناسب)

کمپنی کے کل کاروبار کے پورٹ فولیو میں متناسب معاهداتی (Treaty) کاروبار کا 90 فیصد (2019: 77 فیصد) حصہ رہا۔ سال 2019 کے تحریر شدہ مجموعی پریم کے 303 ملین روپے کے مقابلے میں 467 ملین روپے رہا، اضافہ 164 ملین روپے یعنی 54 فیصد۔ خالص حصہ سال 2019 کے 129 ملین روپے کے مقابلے میں رواں سال 349 ملین روپے رہا، اضافہ 220 ملین روپے یعنی 171 فیصد۔ زیر جائزہ سال کا خالص دعوے سے خالص حصہ کا تناسب 81 فیصد تھا (2019: 99 فیصد) جس کا نتیجہ سال 2019 کے 37 ملین روپے کے ضمانتی بیمہ (underwriting) خسارہ کے مقابلے میں رواں سال 33 ملین روپے رہی، کمی 4 ملین روپے۔

معاهداتی (Treaty) کاروبار (غیر متناسب)

کمپنی کے کل کاروبار کے پورٹ فولیو میں غیر متناسب معاهداتی (Treaty) کاروبار کا 13 کا 13 فیصد (2019: 17 فیصد) حصہ رہا۔ سال 2019 کے تحریر شدہ مجموعی حصے کے 72 ملین روپے کے مقابلے میں 77 ملین روپے رہا، اضافہ 2 ملین روپے یعنی 3 فیصد۔ خالص حصہ سال 2019 کے 27 ملین روپے کے مقابلے میں رواں سال 30 ملین روپے رہا، اضافہ 3 ملین روپے یعنی 11 فیصد۔ زیر جائزہ سال کا خالص دعوے کا تناسب 230 فیصد تھا (2019: 148 فیصد) جس کا نتیجہ سال 2019 کے 21 ملین روپے کے ضمانتی بیمہ (underwriting) منافع کے مقابلے میں رواں سال اس کی مالیت میں کمی کے ساتھ 63 ملین روپے رہی، اضافہ 42 ملین روپے یعنی 200 فیصد۔

اختیاری کاروبار:

آگ:

اختیاری کاروبار کے سلسلے میں، آگ کے کاروبار کی قسم کا کل پورٹ فولیو میں 7.45 فیصد (2019: 7.54 فیصد) حصہ ہے۔ سال کے دوران مجموعی حصہ جو تحریر کیا گیا 45 ملین روپے تھا اس کے مقابلے میں 2019 میں 32 ملین روپے، اضافہ 13 ملین روپے یعنی 41 فیصد۔ خالص حصہ سال 2019 کے 18 ملین روپے کے مقابلے میں 47 ملین روپے رہا، اضافہ 39 ملین روپے یعنی 161 فیصد۔ زیر غور سال کے لیے خالص دعوے سے خالص حصہ کا تناسب 147 فیصد (2019: 17 فیصد) تھا جس کا نتیجہ انڈر رائٹنگ کا نقصان 42 ملین روپے تھا جو سال 2019 میں 11 ملین روپے اضافہ تھا، کمی 53 ملین روپے یعنی 481 فیصد۔

بحری ترسیل بار برداری (Marine Cargo) اور جہاز کا ڈھانچہ (Hull):

اختیاری کاروبار کے دیگر سلسلے میں بحری ترسیل بار برداری اور جہاز کے ڈھانچے کی قسم کے کاروبار کا کل پورٹ فولیو میں 0.16 فیصد (2019: 0.23 فیصد) تھا۔ سال کے دوران تحریر کردہ مجموعی حصہ 1.04 ملین روپے اور اس کے مقابلے میں سال 2019 میں 0.86 ملین روپے تھا، اضافہ 0.18 ملین روپے یعنی 21 فیصد۔ خالص حصہ 1.14 ملین روپے رہا اس کے مقابلے میں سال 2019 میں 0.69 ملین روپے تھا، اضافہ 0.45 ملین روپے یعنی 65 فیصد۔ زیر غور سال کے لیے خالص دعوے سے خالص حصے کا تناسب 191 فیصد (2019: 3.28 فیصد) تھا جس کا نتیجہ انڈر رائٹنگ کا خسارہ 1.3 ملین روپے تھا جو سال 2019 میں 0.5 ملین روپے تھا، کمی 1.8 ملین روپے یعنی 138 فیصد۔

ہوابازی (Aviation):

اختیاری کاروبار کے دیگر سلسلے میں ہوابازی کی قسم کے کاروبار کا کل پورٹ فولیو میں 2.3 فیصد حصہ (2019: 4.1 فیصد) رہا۔ سال کے دوران مجموعی حصہ جو تحریر کیا گیا 14 ملین روپے تھا اس کے مقابلے میں 2019 میں 17 ملین روپے تھا، کمی 3 ملین روپے یعنی 18 فیصد۔ خالص حصہ 12 ملین روپے رہا اس کے مقابلے میں سال 2019 میں 14 ملین روپے تھا، کمی 2 ملین روپے یعنی 14 فیصد۔ اضافی انڈر رائٹنگ 10 ملین روپے تھا جبکہ سال 2019 میں 9 ملین روپے تھا، اضافہ 1 ملین یعنی 11 فیصد۔

قرض حسنہ

31 دسمبر پر، شراکت داروں کے ری نکافل فنڈ قابل قبول (admissible) خالص اثاثہ جات کی مالیت 224.36 ملین روپے منفی تھی، اس لیے کمپنی نے یہ فیصلہ کیا ہے کہ آپریٹر کے فنڈ سے اس رقم کو بطور قرض حسنہ منتقل کر دے۔ کیونکہ اس کے آپریشن کا صرف دوسرا سال ہے، یہ توقع کی جا رہی ہے کہ شراکت داری کا نکافل فنڈ، انڈر رائٹنگ سرپلس کے ساتھ ساتھ بقایا حصہ کی جلد وصولی سے، یہ قرض حسنہ تین سالوں میں واپس کر دے۔

ملازمین کی فلاح و بہبود

کمپنی کے پاس ملازمین کی فلاح و بہبود کا فراہم کرنے کا فنڈ موجود ہے جس کے تحت چھ ملازمین کو ہر سال حج پر بھیجا جاتا ہے۔ اس کے علاوہ کمپنی (a) ملازمین کے بچوں کو قرآن حفظ کرنے پر اور سینڈری اور ہاؤسنگ سکینڈری تعلیم میں A+ گریڈ حاصل کرنے پر نقد انعام دیتی ہے، (b) کمپنی کے ساتھ طویل رفاقت رکھنے والے ملازمین کے لیے معاوضہ بعد از ملازمت (pension) اور (c) دوران ملازمت انتقال کرنے والے ملازمین کے اہل خانہ کے لیے تدفین اور تلافی کا پیکیج دیا جاتا ہے۔

بورڈ کی ساخت اور کمیٹیاں

بورڈ کی ساخت لسٹڈ کمپنیز کے ادارتی نظم و ضبط 2019، پبلک سیکٹر کمپنیز (کوڈ آف کارپوریٹ گورننس) 2013 اور کارپوریٹ گورننس برائے ہیبرہ ساز اداروں، 2016، جس کا اجراء سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان، کے مطابق ہے۔

مضبوط اندرونی کنٹرول کے نظام اور ادارتی نظم و ضبط کے ضابطے کی موثر نفاذ کو یقینی بنانے کے لیے، بورڈ نے متعدد کمیٹیاں تشکیل دی ہیں جن کی تعداد سات (7) ہیں۔ ان میں بورڈ کی تین (3) کمیٹیاں اور انتظامیہ کی چار (4) کمیٹیاں شامل ہیں۔ تمام کمیٹیوں کی ساخت اس رپورٹ میں علیحدہ سے ادارتی معلومات کے حصے میں پیش کی گئی ہیں۔

مستقبل کا منظر نامہ

ملک کا کاروباری ماحول مسلسل مسائل کا شکار رہا۔ کئی معیشت (macroeconomic) کا ماحول، بلند تر افراط زر، متعدد مراحل میں کرنسی کی قدر میں کمی کی وجہ سے کاروبار کے حالات زیادہ محنت کا تقاضہ کر رہے ہیں۔ مسائل کے باوجود، کمپنی حصص کنندگان کی قدر میں اضافے کے لیے پر عزم ہے اور اس کی توجہ دونوں طرح یعنی معاہداتی (treaty) اور اختیاری (facultative) کاروبار کے اضافے پر مرکوز ہے۔ ری نکافل (Re-takaful) کا آپریشن بھی کمپنی کی آمدنی میں اضافہ کرے گا۔ متعین آمدنی (fixed income) کی مالیاتی دستاویزات پر بلند تر منافع کی بنیاد کو مد نظر رکھتے ہوئے، کمپنی کا متعین آمدنی (fixed income) کا پورٹ فولیو زیادہ منافع لائے گا جبکہ ہم اپنے ملکی سرمایے (equity) کے پورٹ فولیو کی کارکردگی کے بارے میں محتاط طور پر امید رہیں گے۔ مجموعی طور پر کمپنی، اپنے کاروبار کی کارکردگی کی آگے بڑھنے کا پر امید منظر نامہ پیش کرتی ہے۔

اندرونی نگرانی (Internal Controls)

کمپنی میں بورڈ کی تشکیل کردہ محاسب کا شعبہ، جو بیرونی آڈٹ فنکشن کے تحت نہیں ہے، کے ذریعے سے اندرونی نگرانی کا ڈھانچے کا موثر نفاذ کیا جا چکا ہے۔ محاسبہ کمپنی کی متعین کردہ ہدایات کے تحت اندرونی محاسبہ کے شعبے نے اپنی ذمہ داریاں شروع کر دی ہیں۔ محاسبہ کمپنی اندرونی محاسبہ رپورٹ کا جائزہ لے چکی ہے اور جہاں ضروری ہو اسے مناسبتاً قدم اٹھایا۔ بیرونی

اور اندرونی محاسبین میں تعاون کی سہولت فراہم کی گئی ہے تاکہ بہتر کارکردگی کو یقینی بنایا جائے اور کمپنی کے مقاصد کو پورا کیا جاسکے بشمول معیتر مالیاتی رپورٹنگ نظام اور قوانین اور ضوابط کی تعمیل بھی کی جاسکے۔

خطرے سے انتظام کی پالیسی (Risk Management Policy)

کمپنی خطرے کے انتظام کی پالیسی کی تشکیل اور اس کا نفاذ کر چکی ہے جو کمپنی کے جاری رہنے (existence) کے امکان کو درپیش بڑے خطرات کی نشاندہی کرتی ہے۔ کمپنی کی خطرے کا انتظام کے نظام کی پہنچ خطرے کے معیار اور مقدار کو سمجھنے اور اس کے نقصان کو کم کرنے پر مشتمل ہے۔ بورڈ، ایک تفصیلی خطرے کے انتظام کی پالیسی کی منظوری دے چکا ہے جس کا وقتاً فوقتاً جائزہ لیا جاتا ہے۔ خطرے کو کم کرنے طریقے اور اقدامات تیار کیے جاسکے ہیں اور ہدایات میں وضاحت سے بیان کیا جا چکا ہے۔

ضابطہ اخلاق

کمپنی نے ضابطہ اخلاق تیار کیا ہے تاکہ تمام ملازمین کے اخلاقی رویے اور سالمیت کو یقینی بنایا جاسکے۔ کمپنی کے تمام آپریٹرز ضابطہ اخلاق کی سختی سے تعمیل کرتے ہوئے جائز اور شفاف طریقے سے کئے جاتے ہیں۔

ناظمین کا تربیتی پروگرام

کمپنی کے تمام ناظمین، "ناظمین کے تربیتی پروگرام" کے تحت مستند ناظمین ہیں۔

ناظمین کی مشاہرہ پالیسی

بورڈ کی تجویز پر ناظمین کا مشاہرہ کی منظوری حصص کنندگان کے سالانہ عام اجلاس میں کیا جاتا ہے۔

بورڈ کے ناظمین کا کارکردگی کی قدر پذیری (Evaluation)

پبلک سیکٹر کارپوریشن گورننس، رولز 2013 کے ضابطہ 8 (1) اور بورڈ کی منظور کردہ پالیسی کے تحت، CEO، بورڈ کے نامزد ناظمین کی کارکردگی کا جائزہ وفاقی گورنمنٹ لیتی ہے اور آزاد ناظمین کی کارکردگی کا جائزہ بورڈ کے چیئرمین لیتے ہیں۔ قدر پذیری کا ڈھانچہ، بورڈ کے ہر انفرادی ارکان کے مائٹھی (qualitative) تجزیے پر مشتمل ہے۔

متعلقہ فریق کے لین دین

بورڈ کے ناظمین ہر بورڈ کے اجلاس میں کمپنی کی شریک کمپنیوں / متعلقہ فریقوں کے لین دین کی منظوری دیتے ہیں۔ تمام متعلقہ فریقوں سے کئے گئے تمام لین دین متعین حدود کی بنیاد پر کئے گئے ہیں۔

ملکیت

31 دسمبر 2020 پر کمپنی کے رکارڈ پر 2,556 حصص کنندگان موجود ہیں۔

حصص رکھنے کا رجحان

31 دسمبر 2020 پر کمپنی کے حصص رکھنے کا رجحان بمع ضروری معلومات اس رپورٹ کے آخر میں دستیاب ہے۔

اداراتی اور مالیاتی رپورٹنگ کے ڈھانچے کا بیان

PRCL ایک مندرجہ (listed) کمپنی ہے اور لسٹڈ کمپنیز کے (اداراتی نظم و ضبط کے قواعد)، 2019 اور دیگر تمام لسٹڈ قواعد کی پابندی کرتی ہے۔ کمپنی پبلک سیکٹر ادارہ بھی ہے اور پبلک سیکٹر کمپنیز (اداراتی نظم و ضبط کے ضوابط) قوانین 2013 اور اداراتی نظم و ضبط کے ضابطہ برائے انشوررز 2016 کے تحت کام کرتی ہے۔ ڈائریکٹرز تمام رپورٹنگ اور معلومات کو افشا کرنے کی ضروریات جو کمپنیز ایکٹ 2017، انشورنس آرڈیننس 2000 اور ان کے تحت بنائے گئے قوانین کی تعمیل کی تصدیق کرتے ہیں۔ ڈائریکٹرز SECP کے اداراتی گورننس کے ضابطے کے اداراتی اور مالیاتی رپورٹنگ کے مندرجہ ذیل ڈھانچے کی تعمیل کی تصدیق کرتے ہیں:-

- کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اس کے معاملات کی حالت، عملی امور کے نتائج، کیش فلو اور ملکیٹی سرمایہ (equity) میں تبدیلی بہتر طور پر پیش کرتے ہیں۔
- کمپنی نے موزوں کھاتوں کی کتابیں (Books of Accounts) قائم رکھی ہوئی ہیں۔
- کمپنی نے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب عملی پالیسیاں یکساں طور پر اپنائی گئی ہے، تبدیلیوں کو مناسب طور پر ظاہر کیا گیا ہے اور اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط پر رکھی ہے۔
- پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیار، کمپنیز ایکٹ 2017، انشورنس آرڈیننس 2000 اور سیکیورٹیز ایکٹیوٹیج کمیشن (انشورنس) قوانین 2017 کی ضروریات کے مطابق عمل کرتے ہوئے مالیاتی گوشوارے تیار کئے گئے ہیں۔
- اندرونی نگرانی کا نظام موجود ہے اندرونی آڈٹ کا شعبہ پوری طرح کام کر رہا ہے۔
- کمپنی کے کاروبار کے جاری رہنے والے ادارے کے طور پر کوئی ابہام نہیں ہے۔
- لسٹڈ کمپنیز کے ادارتی نظم و ضبط کا ضابطہ 2019 جیسا کہ لسٹنگ ریگولیشن میں درج ہے اور پبلک سیکٹر کمپنیز (اداراتی نظم و ضبط کا ضابطہ) 2013 برائے انشوررز 2016 میں درج بہترین پریکٹسز سے کسی قسم کا مادی انحراف نہیں کیا گیا ہے۔
- ڈائریکٹرز کے تربیتی پروگرام کے تحت تمام ڈائریکٹرز تعلیم یافتہ ہیں۔
- نو منتخب ڈائریکٹرز کو متعلقہ قوانین اور ان کی ذمہ داریوں کے بارے آگاہی کا تعارفی پروگرام کیا گیا تھا۔
- کمپنی کی نیشنل انویسٹمنٹ ٹرسٹ لمیٹڈ (NITL) میں 8.34 فیصد کی حصصی شراکت داری ہے اور اس طرح سے اس کے ڈائریکٹرز میں سے ایک، جو PRCL کے موجودہ CEO ہیں، کے ذریعے سے NITL کے بورڈ میں نمائندگی ہے۔
- چیرمین اور دیگر بورڈ کے ارکان کے انتخاب اور ان کے انتخاب کی شرائط کے ساتھ ساتھ ان کے مشاہرہ پالیسی کو کمپنی کے بہترین مفاد اور بہترین پریکٹسز کو مد نظر رکھتے ہوئے اختیار کیا گیا ہے۔
- نان کم: بلیو ڈائریکٹرز کا متعین معاوضہ نہیں ہے اور ان کو ہر اجلاس میں شرکت کی ایک متعین فیس ادا کی جاتی ہے۔ چیف کم: بلیو ڈائریکٹرز اور کم: بلیو ڈائریکٹرز پر لاگو معاوضے علیحدہ سے رپورٹ میں دیے گئے ہیں۔
- گذشتہ 6 سالوں کے کلیدی آپریٹنگ اور مالیاتی اعداد و شمار کا خلاصہ علیحدہ سے اس رپورٹ میں شامل ہے۔

n. حصص رکھنے کے رجحان کا بیان علیحدہ سے اس رپورٹ میں شامل ہے۔

o. وظیفہ بعد از ملازمت (pension)، گریجویٹ اور پراویڈنٹ فنڈ کی سرمایہ کاری کی مالیت درج ذیل ہے؛

(روپے ملین میں)

2019	2020	
931	983	پینشن اور گریجویٹ فنڈ
141	149	عام پراویڈنٹ فنڈ / پراویڈنٹ فنڈ

بورڈ کے ناظمین اجلاس اور حاضری

سال 2020 میں بورڈ نے متعدد کمیٹیاں تشکیل دیں، اور منعقدہ اجلاس اور ہر ڈائریکٹر کی حاضری کی تفصیلات درج ذیل ہیں

پروویڈنٹ کمیٹی	سرمایہ کاری کمیٹی	رک ہجرت اور تھیل کمیٹی	دعوت کے تصفیہ کمیٹی	انڈر رائٹنگ / آری انشورنس کمیٹی	ضابطہ اخلاق / انسانی وسائل / مشاہرہ کمیٹی	آڈٹ کمیٹی	بورڈ آف ڈائریکٹرز	
1	1	2	2	2	2	4	6	اجلاس کی تعداد
اجلاس میں شرکت کی تعداد								ناظمین کے نام
-	1	-	2	-	4	4	6	جناب ممتاز علی حلویہ، چیئرمین
-	-	-	-	-	-	-	3	جناب ریاض احمد مبین بطور CEO
-	1	-	-	-	2	-	3	جناب منظور علی شیخ CEO
-	1	1	-	-	-	-	3	جناب ریاض احمد مبین بطور ناظم
-	-	-	-	-	-	2	3	جناب اسد منظور ہالپوٹہ

6	جناب فیصل ممتاز	3	-	-	1	-	1	-
7	جناب ماریہ قاضی	3	-	-	-	-	-	-
8	جناب مصلح الدین	6	4	1	ث	-	1	-
9	ڈاکٹر کوثر زیدی	3	2	2	1	-	-	1

جو ڈائریکٹرز اجلاس میں شرکت نہ کر سکے اور انہوں نے اس کی پیشگی اطلاع دے دی تھی، بورڈ نے ان کی اجلاس سے غیر حاضری کی رخصت کی منظوری دے دی تھی۔

بورڈ آف ڈائریکٹرز کی تبدیلی

زیر نگر مدت میں، بورڈ ہر نان ایگزیکٹو / نامزد، ایکس آفیشو (Ex-officio) ڈائریکٹرز اور CEOs جنہوں نے بورڈ میں شامل ہوئے ان کو خوش آمدید کیا اور بورڈ سے علیحدہ ہونے والے تمام ارکان کی خدمات اور کمپنی کی کامیابی میں حصہ ڈالنے کو کارڈ پر سراہتا ہے۔

قومی خزانے میں حصہ

آپ کی کمپنی نے محصولات، لیویز اور ڈیوٹیز کی مد میں گورنمنٹ کے خزانے میں 297 ملین روپے (2019: 412 ملین روپے) جمع کروائے گئے۔

اداراتی نظم و ضبط کی تعمیل

نگرانی کرنے کے حکام کی جانب سے جاری کردہ اداراتی نظم و ضبط کے قواعد تعمیل کی گئی ہیں۔

بورڈ کی آڈٹ کمیٹی

بورڈ نے اداراتی نظم و ضبط کے ضابطے کی تعمیل کرتے ہوئے ایک آڈٹ کمیٹی تشکیل دے دی ہے اور بورڈ اس کے قواعد و ضوابط منظور کر چکا ہے۔ کمیٹی کے ارکان کے نام اداراتی معلومات کے سیکشن میں دئے گئے ہیں۔

گذشتہ 6 سالوں میں کمپنی کی کارکردگی

(روپے ملین میں)

2015	2016	2017	2018	2019	2020	
8,135	8,807	8,036	10,734	17,655	16,896	مجموعی پریمیوم
5,219	5,802	5,006	5,464	6,905	6709	خالص پریمیوم
(1,101)	(1,264)	(1,148)	(1,047)	(1,243)	925	خالص کمیشن

(2,775)	(3,336)	(3,740)	(2,990)	(4,259)	3,924	خالص دعوے
(621)	(657)	(796)	(844)	(775)	(666)	انتظامی اخراجات
722	545	(677)	583	628	1192	انڈر رائٹنگ - نفع / نقصان
935	961	3,326	691	868	1,043	سرمایہ کاری سے آمدنی
1,772	1,427	2,876	1,730	2,189	1,941	نفع قبل از محصول
1,377	974	2,226	1,228	1,484	1,392	نفع بعد از محصول

کمپنی کے حصص کی تجارت

ڈائریکٹرز اور اہم افسران نے کمپنی کے حصص کے لین دین نہیں کیا گیا۔

محاسبین (Auditors) کا انتخاب

سال 2020 کے لیے کمپنی کی مالیاتی دستاویزات کا آڈٹ میسرز گرانٹ تھورنٹن، انجمن رحمان، چارٹرڈ اکاؤنٹنٹس سے کرایا گیا ہے۔ اس بات کے اہل ہونے کی وجہ سے انہوں نے سال 2021 کے لیے اپنا نام بطور بیرونی محاسبین کے پیش کیا ہے۔ بورڈ کے ناظمین نے آڈٹ کمیٹی کی سفارش پر میسرز گرانٹ تھورنٹن، انجمن رحمان، چارٹرڈ اکاؤنٹنٹس، کے سال 2021 کے لیے ان کی بطور بیرونی آڈیٹرز کے انتخاب کی منظوری کی تجویز دی ہے۔

بیرونی آڈیٹرز نے اس بات کی توثیق کی ہے کہ انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے معیار کی نگرانی کے جائزہ پروگرام کے تحت انہیں اطمینان بخش درجہ بندی دی گئی ہے اور یہ کہ فرم اور اس کے تمام شرکاء داروں انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (IFAC) کے ضابطہ اخلاق کے پابند ہیں جسے انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) نے بھی اپنا رکھا ہے اور منتخب ہونے کے تمام موزوں قوانین کی ضروریات پر پورا اترتے ہیں۔

سٹائن

آخر میں آپ کے ڈائریکٹرز تمام انشورنس کمپنیوں، سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کا ان کی مدد اور رہنمائی کا شکریہ ادا کرنا چاہتے ہیں۔ ہم کمپنی کے افسران اور عملے کے سخت محنت اور ان کی لگن کو بھی سراہتے ہیں۔

بورڈ آف ڈائریکٹرز کے لیے اور ان کی جانب سے

چیرمین / ڈائریکٹر

چیف ایگزیکٹو آفیسر



Pakistan Reinsurance Company Limited

(Under the Administrative Control of Ministry of Commerce,
Government of Pakistan)

NOTICE OF THE 21st ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting of Pakistan Reinsurance Company Limited (PRCL) will be held on Monday May 24, 2021 at 11:00am, at Jasmine Hall, Ground Floor, Beach Luxury Hotel, Karachi. The meeting will be held through video link in addition to the requirement of holding it physical in compliance to SECP Circular No. 4 of 2021 dated 15th February, 2021 to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of 20th General Meeting of the Company held on May 28, 2020.
2. To consider and adopt the audited Annual Accounts of the Company for the year ended 31st December, 2020 and the reports of Directors and Auditors thereon.
3. To consider and approve the payment of final dividend @ 25%, that is Rs.2.50 per ordinary share of Rupees Ten (10.00) for the year ended 31st December 2020.
4. To appoint External Auditors for the year ending 31st December 2021 and fix their remuneration. The retiring Auditor M/s Grant Thornton Anjum Rahman (Chartered Accountants) has given consent to act as auditor of the company for the year ending 31st December, 2021.
5. To consider any other business with the permission of Chair.

Place: Karachi.

Dated: May 03, 2021.

**By Order of the Board
(Shams-ud-Din)
Company Secretary**

NOTES:

1. To attend the AGM through video-link, the members are requested to register themselves by providing the following information through email at skumar@pakre.org.pk at least 48 hours before the AGM.

Name of Shareholder	CNIC Number	Folio Number / CDC Account No.	Cell Number	Email Address

2. The registered Members, after necessary verification (as per the above requirement) will be provided a video link by the Company via email.
3. The login facility will remain open 10 minutes before the meeting time to enable the participants to join the meeting.
4. Members can also share their suggestions / comments on the agenda on WhatsApp number 0333-7313091 one hour before the meeting schedule.
5. Please note that only those shareholders, who have registered themselves by sending a request on aforementioned email address, will be able to participate in the Meeting through video-link.
6. In the light of COVID - 19 situation, the Company has made the following arrangements for the safety of the members attending the Meeting physically.
 - a. Members shall enter in the Walkthrough Sanitizer Gate or shall wash their hands at the washbasins installed at the venue, before entering the meeting.
 - b. Each Member shall be given a facial mask to wear if not carried with themselves.
 - c. Each Member shall use hand sanitizer before entering the meeting.
 - d. Distanced seating arrangements (six feet) shall be made for each member.
7. The share transfer books of the company shall remain closed for eight days i.e. from **May 17, 2021 to May 24, 2021** (both days inclusive), no transfer will be accepted for registration during the period.
8. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy (available at company's website) to attend the meeting and vote for him/her. A proxy must be deposited at the Company not less than 48 hours before the meeting and in case of default, form of proxy will not be treated as valid.
9. CDC Accountholders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.

A. For attending the meeting:

- a. In the case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- b. In the case of corporate entity, the Board of Director's Resolution / Power of attorney with specimen signature of the nominee, shall be produced (Unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

- a. In the case of individuals, the account holder or sub account holder and/or the person whose securities are in a group and their registration details are uploaded as per the CDC Regulation, shall submit the proxy form (provided at Company's website) as per the above requirement.
 - b. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - c. Attested copies of the CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - d. The proxy shall produce his/her original CNIC or original Passport at the time of the meeting
 - e. In the case of corporate entity, the Board of Directors' Resolution/Power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
10. Shareholders are requested to communicate to Company's Share Registrar, M/s. CDC Pakistan Limited, CDC House, 99-B, Block-B, SMCHS, Main Shahrah-e-Faisal, Karachi, in case of any change in their address and provide the Zakat Declaration / Tax exemption certificate (if any), immediately along with contact details.
11. **VIDEO CONFERENCE FACILITY** Pursuant to Section 132(2) of the Companies Act 2017, if the Company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 7 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.
12. **PAYMENT OF CASH DIVIDEND ELECTRONICALLY-COMPULSORY** Members of the Company are hereby requested to comply with the provisions of Section 242 of the Companies Act, 2017 and provide the particulars of their bank accounts through E-Dividend Form (annexed at the end of annual report as well as available at Company's website i.e., www.pakre.org.pk) as dividends payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders instead of, through issuance of Dividend Warrants. In the absence of bank account details or in case of incomplete details, the Company will be constrained to withhold the payment of cash dividend of those shareholders who have not provided the same.
13. **AVAILABILITY OF AUDITED FINANCIAL STATEMENTS ON COMPANY'S WEBSITE** The audited financial statements of the Company for the year ended December 31, 2020 have been placed at the Company's website www.pakre.org.pk

Pakistan Reinsurance Company Limited

PRC Towers, 32-A, Lalazar Drive, M.T. Khan Road,

P.O. Box No. 4777, Karachi, Pakistan.

Telephone: 92-21-99202908-14 Telefax: 92-21-99202921-22

Email: prcl@pakre.org.pk Website: www.pakre.org.pk

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013. Listed Companies (Code of Corporate Governance) Regulations, 2019. Code of Corporate Governance for Insurers, 2016.

Name of company
Name of the Line Ministry
For the year ended

PAKISTAN REINSURANCE COMPANY LIMITED
COMMERCE (GoP)
DECEMBER 31, 2020

- i. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.
- ii. The company has complied with the provisions of the Rules in the following manner:

Sr. No	Provision of the Rules	Rule No	Y	N																		
			Tick the relevant box																			
1	The independent Directors meet the criteria of independence as defined under the Rules.	2(d)		N																		
2	<p>The Board has at least one-third of its total members as independent directors. At present the Board includes:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Name</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td>NIL</td> <td>NIL</td> </tr> <tr> <td>Non-Executive Directors</td> <td>Mr. Mumtaz Ali Rajper</td> <td>31-12-2019</td> </tr> <tr> <td></td> <td>Dr. Musleh-ud-Din</td> <td>16-03-2017</td> </tr> <tr> <td></td> <td>Dr. Riaz Ahmed Memon</td> <td>31.08.2020</td> </tr> <tr> <td></td> <td>Dr. Kausar Ali Zaidi</td> <td>04.09.2020</td> </tr> </tbody> </table>	Category	Name	Date of Appointment	Independent Directors	NIL	NIL	Non-Executive Directors	Mr. Mumtaz Ali Rajper	31-12-2019		Dr. Musleh-ud-Din	16-03-2017		Dr. Riaz Ahmed Memon	31.08.2020		Dr. Kausar Ali Zaidi	04.09.2020	3(2)		N
Category	Name	Date of Appointment																				
Independent Directors	NIL	NIL																				
Non-Executive Directors	Mr. Mumtaz Ali Rajper	31-12-2019																				
	Dr. Musleh-ud-Din	16-03-2017																				
	Dr. Riaz Ahmed Memon	31.08.2020																				
	Dr. Kausar Ali Zaidi	04.09.2020																				
3	The Directors have confirmed that none of them is serving as a Director on more than five public sector / Listed companies and listed companies simultaneously, except their subsidiaries.	3(5)	Y																			
4	The appointing authorities have applied the "fit and proper criteria" given in the Annexure to the Rules in making nominations of the persons for election as Board Members under the provisions of the Act.	3(7)	Y																			
5	The Chairman of the Board is working separately from the Chief Executive of the Company.	4(1)	Y																			
6	The Chairman has been elected by the Board of Directors except where Chairman of the Board has been appointed by the Government.	4(4)	Y																			
7	The Board has evaluated the candidates for the position of the Chief Executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where the Chief Executive has been nominated by the Government)	5(2)	Not Applicable																			

Sr. No	Provision of the Rules	Rule No	Y	N
			Tick the relevant box	
8	(a) The Board has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.	5(4)	Y	
	(b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website (www.pakre.org.pk)	5(4)	Y	
	(c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices	5(4)	Y	
9	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	Y	
10	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b) (ii)	Y	
11	The Board has developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the Company.	5(5)(b) (vi)	Y	
12	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c) (ii)	Y	
13	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services	5(5) c) (iii)	Y	
14	The Board has developed a vision or mission statement and corporate strategy of the Company.	5(6)	Y	
15	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(7)	Y	
16	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	Not applicable	

Sr. No	Provision of the Rules	Rule No	Y	N
			Tick the relevant box	
17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	Y	
18	(a) The Board has met at least four times during the year.	6(1)	Y	
	(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	Y	
	(c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	Y	
19	The Board has monitored and assessed the performance of senior management on annual basis. And held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	Y	
20	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	Y	
21	(a) The Board has approved the profit and loss account for, and balance sheet as at the end of the first, second and third quarter of the year as well as the financial year end.	10	Y	
	(b) In case of listed PSCs the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.	10	Y	
	(c) The Board has placed the annual financial statements on the company's website.	10	Y	
22	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	Y	
23	(a) The Board has formed the requisite committees, as specified in the Rules.	12	Y	
	(b) All the committees were provided with written terms of reference defining their duties, authority and composition.	12	Y	

Sr. No	Provision of the Rules	Rule No	Y	N																															
			Tick the relevant box																																
	(c) The minutes of the meetings of the committees were circulated to all the board members.	12	Y																																
	(d) The committees were chaired by the following non-executive directors:	12	Y																																
	<table border="1"> <thead> <tr> <th>Sr.No</th> <th>Committees</th> <th>No. of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Audit Committee</td> <td>Three</td> <td>Dr. Musleh-ud-Din</td> </tr> <tr> <td>2</td> <td>Investment Committee</td> <td>Three</td> <td>Dr. Riaz Ahmed Memon</td> </tr> <tr> <td>3</td> <td>* Ethics, Human Resource & Remuneration Committee</td> <td>Three</td> <td>Mr. Mumtaz Ali Rajper</td> </tr> <tr> <td>4</td> <td>Underwriting / Reinsurance Committee</td> <td>One</td> <td>Dr. Kausar Ali Zaidi</td> </tr> <tr> <td>5</td> <td>Claim Settlement Committee</td> <td>One</td> <td>Mr. Mumtaz Ali Rajper</td> </tr> <tr> <td>6</td> <td>Risk Management and Compliance Committee</td> <td>One</td> <td>Dr. Riaz Ahmed Memon</td> </tr> <tr> <td>7</td> <td>Procurement Committee</td> <td>One</td> <td>Dr. Kausar Ali Zaidi</td> </tr> </tbody> </table>	Sr.No	Committees	No. of Members	Name of Chair	1	Audit Committee	Three	Dr. Musleh-ud-Din	2	Investment Committee	Three	Dr. Riaz Ahmed Memon	3	* Ethics, Human Resource & Remuneration Committee	Three	Mr. Mumtaz Ali Rajper	4	Underwriting / Reinsurance Committee	One	Dr. Kausar Ali Zaidi	5	Claim Settlement Committee	One	Mr. Mumtaz Ali Rajper	6	Risk Management and Compliance Committee	One	Dr. Riaz Ahmed Memon	7	Procurement Committee	One	Dr. Kausar Ali Zaidi		
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	*The Board has assigned the responsibility and functions of Nomination Committee to the Ethics, HR & Remuneration Committee as per guidelines provided in COCG for Insurers, 2016.																																		
24	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	Y																																
25	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	Y																																
26	The Company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of Section 225 of the Act.	16	Y																																
27	The Directors' Report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient features required to be disclosed.	17	Y																																
28	The Directors, CEO and Executives or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.	18	Y																																
29	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.	19	Y																																

Sr. No	Provision of the Rules	Rule No	Y	N																				
			Tick the relevant box																					
	(b) The annual report of the company contains criteria and details of remuneration of each director.	19	Y																					
30	The financial statements of Company were duly endorsed by the Chief Executive and Chief Financial Officer, before consideration and approval of the audit committee and the Board.	20	Y																					
31	<p>The board has formed an audit committee, with defined and written terms of reference and having the following members:</p> <table border="1"> <thead> <tr> <th>Sr.No</th> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Mr. Musleh-ud-Din</td> <td>Non-executive</td> <td>Ph.D (Economics)</td> </tr> <tr> <td>2</td> <td>Dr. Kausar Ali Zaidi</td> <td>Non-executive</td> <td>MBBS</td> </tr> <tr> <td>3</td> <td>Mr. Mumtaz Ali Rajper</td> <td>Non-executive</td> <td>MA (Economics)</td> </tr> <tr> <td>4</td> <td>Mr. Sultan Hammad Gul, Chief Internal Auditor</td> <td>Secretary of the Committee</td> <td>ACCA</td> </tr> </tbody> </table> <p>The Chief Executive and Chairman of the Board are not Members of the Audit Committee.</p>	Sr.No	Name of Member	Category	Professional Background	1	Mr. Musleh-ud-Din	Non-executive	Ph.D (Economics)	2	Dr. Kausar Ali Zaidi	Non-executive	MBBS	3	Mr. Mumtaz Ali Rajper	Non-executive	MA (Economics)	4	Mr. Sultan Hammad Gul, Chief Internal Auditor	Secretary of the Committee	ACCA	21(1) and 21(2)	Y	
Sr.No	Name of Member	Category	Professional Background																					
1	Mr. Musleh-ud-Din	Non-executive	Ph.D (Economics)																					
2	Dr. Kausar Ali Zaidi	Non-executive	MBBS																					
3	Mr. Mumtaz Ali Rajper	Non-executive	MA (Economics)																					
4	Mr. Sultan Hammad Gul, Chief Internal Auditor	Secretary of the Committee	ACCA																					
32	<p>(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.</p> <p>(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.</p> <p>(c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditor.</p>	21(3) 21(3) 21(3)	Y Y Y																					
33	<p>(a) The board has set up an effective internal audit function which has an audit charter, duly approved by the audit committee,</p> <p>(b) The chief internal auditor has requisite qualification and experience prescribed in the rules.</p> <p>(c) The internal audit reports have been provided to the external auditors for their review.</p>	22 22 22	Y Y Y																					
34	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on Code of Ethics as applicable in Pakistan.	23(4)	Y																					

Sr. No	Provision of the Rules	Rule No	Y	N
			Tick the relevant box	
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services	23(5)	Y	

Certain additional disclosures, required under the Listed Companies (Code of Corporate Governance) Regulations, 2019:

36 The total number of directors are Four as per the following:

- a. Male: Four
- b. Female: None

37 All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

38 The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

39 The Board has arranged Directors' Training program for all its members.

40 The frequency of meetings (quarterly / half yearly / yearly) of the committees were as per following:

S.No.	Committees	Meeting Date
1	Audit Committee	May 04, 2020 May 20, 2020 October 28, 2020 November 18, 2020
2	Ethics, HR & Remuneration Committee	October 20, 2020 December 18, 2020
3	Investment Committee	December 10, 2020

S.No.	Committees	Meeting Date
4	Risk Management and Compliance	May 19, 2020 December 22, 2020
5	Claims Settlement	May 19, 2020 November 19, 2020
6	Underwriting / Reinsurance Committee	May 20, 2020 December 01, 2020
7	Procurement Committee	December 01, 2020

41 We confirm that all other requirements of the Regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with; and

42 Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below (if applicable):

Further disclosures, required under Code of Corporate Governance for Insurers, 2016

43 All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Developing Financial Institution (DFI) or a Non-Banking Financial Institution (NBFI) or being a member of stock exchange, has been declared as a defaulter by that stock exchange.

44. A vacancy of Nominee Directors, occurred from the period of January 2017, could not be filled up by the Government till December 31, 2020 despite repeated efforts by the Management of the Company on record. Further, a casual vacancy, occurred after the resignation of an Elected/Independent Director on 1st October, 2020, is under process of Board and would soon be filled.

45. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.

46. The Board has formed the following Management Committees:

Underwriting / Reinsurance Committee

Name of the Member	Category
Dr. Kausar Ali Zaidi	Chairman
Mr. Manzoor Ali Shaikh	Member
Mr. Muhammad Junaid Moti	Secretary

Claim Settlement Committee

Name of the Member	Category
Mr. Mumtaz Ali Rajper	Chairman
Mr. Manzoor Ali Shaikh	Member
Mr. Muhammad Junaid Moti	Secretary

Risk Management & Compliance Committee

Name of the Member	Category
Dr. Riaz Ahmed Memon	Chairman
Mr. Shams-ud-Din	Member
Mr. Jamil Ahmed	Member
Mr. Muhammad Sheraz Ashraf	Secretary

Procurement Committee

Name of the Member	Category
Dr. Kausar Ali Zaidi	Chairman
Mr. Jamil Ahmed	Member
Mr. Muhammad Sheraz Ashraf	Secretary

47. The Board has formed the following Board Committees:

Ethics, Human Resource & Remuneration Committee

Name of the Member	Category
Mr. Mumtaz Ali Rajper	Chairman
Dr. Kausar Ali Zaidi	Member
Dr. Musleh-Ud-Din	Member
Mr. Manzoor Ali Shaikh	Member
Mr. Muhammad Sheraz Ashraf	Secretary

Audit Committee

Name of the Member	Category
Mr. Musleh-Ud-Din	Chairman
Dr. Kausar Ali Zaidi	Member
Mr. Mumtaz Ali Rajper	Member
Mr. Sultan Hammad Gul	Secretary

Investment Committee

Name of the Member	Category
Dr. Riaz Ahmed Memon	Chairman
Mr. Mumtaz Ali Rajper	Member
Mr. Musleh-Ud-Din	Member
Mr. Manzoor Ali Shaikh	Member
Mr. Jamil Ahmed	Member
Mr. Muhammad Naveed Iqbal	Secretary

48 The Committee Meetings of Underwriting, Claims, Investment, Audit and Risk Management & Compliance Committee could not be held in every quarter of the year due to prevailing threat of COVID-19. Further, the terms of references of the Committees have been formed and advices to the Secretaries of the Committees have been issues for compliance.

49 The Chief Financial Officer and the Head of Internal Audit possess such qualifications and experience as is required under the Code of Corporate Governance for Insurers, 2016. Moreover, the following persons heading the underwriting, claim, reinsurance, risk management and grievance functions / departments possess qualification and experience of direct relevance to their respective functions, as required under Section 12 of the Insurance Ordinance, 2000 (Ordinance No.XXXIX of 2000).

Key Officers in Management

Name of the Person	Designation
1. Mr. Manzoor Ali Shaikh	Chief Executive Officer
2. Mr. Muhammad Junaid Moti,	Executive Director (Operations/Underwriting)
3. Mr. Jamil Ahmed	Chief Financial Officer
4. Mr. Sultan Hammad Gul	Chief Internal Auditor
5. Mr. Shams-ud-Din	Company Secretary/Compliance Officer
6. Mr. Muhammad Sheraz Ashraf	Head of Admin/HR/Risk Management
7. Mr. Zohaib Hasan	Head of Information Technology Deptt.
8. Mr. Shams-ud-Din	Head of Legal Department
9. Mr. Muhammad Naveed Iqbal	Head of Investment
10. Ms. Hina Gul	Head of Northern Zonal Office
11. Mr. Muhammad Usman Ghani	Head of Retrocession

50 The Board ensures that the investment policy of the insurer has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.

51 The Board ensures that the risk management system of the insurer is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016.

52 The Company has set up a risk management function / department, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.

53 The Board ensures that as part of the risk management system, the insurer gets itself rated from JCR-VIS(credit rating agency) which is being used by its risk management function / department and the respective Committee as a risk monitoring tool/ the rating assigned by the said rating agency on April 02, 2021 is AA (rating) with Positive outlook.

54 The Board has set up a grievance department/function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.

55 We confirm that all other material principles contained in the Code of Corporate Governance for Insurer, 2016 have been complied with.

CHIEF EXECUTIVE OFFICER

CHAIRMAN

Review report to the members on the statement of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013, Listed Companies (Code of Corporate Governance) Regulations, 2019 And Code of Corporate Governance for Insurers, 2016 (“the Code”)

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013, Code of Corporate Governance for Insurers, 2016 and Listed Companies (Code of Corporate Governance) Regulations, 2019 (referred to as ‘the Codes’) prepared by the Board of Directors of Pakistan Reinsurance Company Limited for the year ended December 31, 2020 to comply with the Codes.

The responsibility for compliance with the Codes is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Codes. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Codes.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Codes require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Following instances of non-compliance with the requirements of the Codes were observed which are not stated in the Statement of Compliance:

Public Sector Companies (Corporate Governance) Rules, 2013

S.No.	Reference	Description
1	8(2)	The Board has not assessed the performance of senior management during the year.
2	21 (2)	The chairman of the Board is a member of audit committee.

Code of Corporate Governance for Insurers, 2016

S.No.	Reference	Description
1	XVII	The minutes of the meetings of the Board of Directors were not circulated to directors and officers entitled to attend Board meetings within fourteen days.
2	LVII	The minutes of audit committee meeting were not circulated within the stipulated time in one out of four meetings.
3	XXVIII	The key officers and Directors has not declared any conflict of interest to the Board during the year.
4	XLIX	The Board has not undertaken any review of Investment Policy during the year.

Listed Companies (Code of Corporate Governance) Regulation, 2019

S.No.	Reference	Description
1	7	The Company does not have any female director on its Board.

Based on our review, except for the above instances of non-compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Company for the year ended December 31, 2020.

Further, we highlight below instances of non-compliance with the requirements of the Codes as reflected in the paragraphs 2, 44 and 48 where these are stated in the Statement of Compliance:

Public Sector Companies (Corporate Governance) Rules, 2013

S.No.	Reference	Description
1	3(2)	The Board does not have at least one-third of its total members as independent directors. Furthermore, There are no Independent directors in Board Committees as per the requirement of provision 12(2).

Code of Corporate Governance for Insurers, 2016

S.No.	Reference	Description
1	Viii	Casual vacancy in the Board was not filled up within the stipulated time.
2	XLIII	All committees (whether management committees or the Board committees) did not meet at least once in every quarter.

Dated:
Karachi

Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement partner

Explanation for Non-Compliance with Code of Corporate Governance.

We confirm that all other material requirements envisaged in the Rules have been complied with, except for the following, toward which reasonable progress is being made by the Company to seek compliance by the end of next accounting year:

Public Sector Companies (Corporate Governance) Rules, 2013			
Sr. No	Rule/Sub-rule No.	Reason for noncompliance	Future Course of Action
1	8(2)	The Board has not assessed the performance of senior management during the year.	The same could not be made possible due to prevailing threat of COVID-19 during the year.
2	21(2)	The chairman of the Board is a member of audit committee.	The Company was short of Directors and there were not enough Directors to simultaneously rotate and form different Committees, keeping in view different codal requirements. However, the Board in its 155th Meeting held on 16th March, 2021, approved the replacement of Chairman Board as Member Audit Committee with the incoming Director, Mr. Faiz Illahi Memon (ED / SLIC).

Code of Corporate Governance for Insurers 2016			
Sr. No	Rule/Sub-rule No.	Reason for noncompliance	Future Course of Action
1	XVII	The minutes of meetings of the Board of Directors were not circulated to directors and officers entitled to attend Board meetings within fourteen days.	The requirement could not be made possible due to prevailing threat of COVID-19 when all the Country was faced lockdown and measures were being taken in the name of SoPs by Govt. The office also remained either closed or facing short attendance.
2	LVII	The minutes of audit committee meeting were not circulated within the stipulated time in one out of four meetings.	The preceding response answer well to this query.
3	XXVIII	The Key officers and Directors has not declared any conflict of interest to the Board during the year.	It shows that there is no any Conflict of Interest when the Officers have not declared any such information to the Board.
4	XLIX	The Board has not undertaken any review of Investment Policy during the year.	The same could not be made possible due to prevailing threat of COVID-19 when all the Country was facing lockdown and strict measures were taken in the name of SoPs by Govt. The office remained also either closed or facing short attendance.

Listed Companies (Code of Corporate Governance) Regulations, 2019			
Sr. No	Rule/Sub-rule No.	Reason for noncompliance	Future Course of Action
1	7	The Company does not have any female director on its Board.	The Board of Directors has fulfilled its fiduciary responsibility by reminding the Government to nominate female Directors.

Public Sector Companies (Corporate Governance) Rules, 2013			
Sr. No	Rule/Sub-rule No.	Reason for noncompliance	Future Course of Action
1	3(2)	The Board does not have at least one-third of its total members as independent directors.	The Board of Directors has fulfilled its fiduciary responsibility by reminding the Government to nominate Directors who fit in the criteria given for independence.

Code of Corporate Governance for Insurers 2016			
Sr. No	Rule/Sub-rule No.	Reason for noncompliance	Future Course of Action
1	Viii	Casual vacancy in the Board was not filled up within stipulated time.	The Board of Directors of the Company have already taken up the matter and are determined to fill the Casual Vacancy as per Section 161(2) read with Section 166 of the Act, which arose after the resignation of an Independent / Elected Director.
2	XLIII	All committees (whether management committees or the Board committees) did not meet at least once in every quarter.	The requirement could not be made possible due to prevailing threat of COVID-19 when all the Country was faced lockdown and measures were being taken in the name of SoPs by Govt. The office also remained either closed or facing short attendance. Further, The majority of Board Members are above the age of 60. Due to these reasons, the committees could not meet at least once in every quarter.

CHIEF EXECUTIVE OFFICER

CHAIRMAN

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAKISTAN REINSURANCE COMPANY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the annexed financial statements of Pakistan Reinsurance Company Limited (the "Company") which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter discussed in the Basis for Qualified Opinion section of our report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2020 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Qualified Opinion

- 1) As disclosed in note 13 to the financial statements, loans and other receivables include receivable from Sindh Revenue Board (SRB) amounting to Rs. 2,573.89 (2019: Rs. 2,573.89) million which was recovered by SRB against the sales tax liability on reinsurance services. The Company has recorded this amount as an asset, however the Company could not substantiate any control over the underlying asset and the flow of economic benefits is improbable due to ongoing Court case. Had the Company not recorded this asset, total assets, accumulated profit, shareholders' equity and solvency would have been reduced by the same amount accordingly.
- 2) As disclosed in 16, 24, 34, 35, 36, 20, 32, 43 and 50 to the financial statements, certain account balances and class of transactions have been recorded against treaty proportional business. We were unable to obtain sufficient and appropriate audit evidence in respect of such account balances and class of transactions because the Company does not obtain necessary documents from ceding companies for record keeping and verification, but solely relies on the amounts mentioned in statutory quarterly returns for the purpose of recording transactions. Consequently, we were unable to determine whether any adjustment to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to Note 33.2 to the financial statements which provides details regarding contingency in respect of which decision is pending. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No	Key audit matters	How the matter was addressed in our audit
1	<p>Valuation of facultative outstanding claims including Incurred But Not Reported (IBNR)</p> <p>Refer note 5.6 and 23.1 to the financial statements for accounting policy and details in respect of facultative claim liabilities. The Company's facultative claim liabilities represent 30% of the Company's total liabilities. Valuation of these liabilities involves significant management judgment because it requires a number of assumptions to be made with high estimation uncertainty such as loss ratios, estimates of the frequency and severity of claims. Facultative claim liabilities are recognized on intimation of the insured event based on management judgment and estimate. The Company also maintains provision for IBNR claims based on the advice of an independent Actuary. The actuarial valuation process involves significant judgment and the use of actuarial assumptions.</p> <p>We have considered this as a key audit matter due to significant estimate and judgement involved. Any change in the estimate and judgment could have significant financial impact.</p>	<p>Our audit procedures to address this matter included the following:</p> <p>Assessed the appropriateness of the Company's accounting policy for recording of facultative claims in line with the requirements of applicable accounting and reporting standards;</p> <p>Obtained an understanding of the design of Company's policies and procedures over the capturing, processing and recording of information related to claims. In addition, our procedures included testing and evaluating the appropriateness of established controls and procedures;</p> <p>Examined the report of an external independent actuary to evaluate the actuarial assumptions used by actuary in determining provision for IBNR so that these are in line with industry practices;</p> <p>Re-performance of reconciliations between the facultative claims data recorded in the policy administration systems and the data used in the actuarial reserving calculations to ensure the integrity, completeness and accuracy of the data used in the actuarial reserving process;</p> <p>We also tested facultative claims transaction on sample basis with appropriate documentation to evaluate that whether the claims reported during the year are recorded in accordance with the requirements of Company's policies and insurance regulations; and</p> <p>Considered the adequacy of Company's disclosures in compliance with accounting and reporting standards about estimates used and the sensitivity to key assumptions.</p>

Sr. No	Key audit matters	How the matter was addressed in our audit
2	<p>Classification, Valuation and Impairment of Investments</p> <p>Refer note 5.2, 11 and 12 to the financial statements relating to classification and valuation of investments. The Company's total investment portfolio which represents 34% of the Company's total assets. These investments comprise of equity and debt instruments.</p> <p>We identified the valuation and impairment of investments as key audit matter because of the significance of investments and management's judgment involved in valuation and impairment.</p>	<p>Our audit procedures in respect of valuation of investments included the following:</p> <p>Obtained understanding, evaluated the design and implementation of key controls designed for the classification, valuation and impairment of investments;</p> <p>Assessing pricing model methodologies and assumptions against accounting policies, industry practices and valuation guidelines;</p> <p>Tested investments buying and selling trades made during the year and tested classification of investments with underlying documentation;</p> <p>Ensured completeness and existence assertion of investment portfolio with IPS statements and Central Depository Company's report;</p> <p>Re-performing our own valuation assessment of the investment portfolio to identify any potential impairment and review management's assessment in relation to impairment of investments; and</p> <p>We also assessed whether the Company's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements and appropriately present the sensitivities in the valuations based on alternative outcomes.</p>
3	<p>Revenue Recognition Risk of Investment income and Facultative premium</p> <p>Refer notes 5.12, 34, 38 and 50 to the financial statements for accounting policies and details in respect of revenue recognition risk.</p>	<p>Our audit procedures in respect of premiums from facultative insurance policies and investment income included the following:</p> <p>Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of facultative premiums income;</p>

Sr. No	Key audit matters	How the matter was addressed in our audit
	<p>The Company receives its revenue primarily from two main sources namely; premiums and investments income. Premiums from facultative insurance policies and investment income comprise of 77 % of the total revenue.</p> <p>We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.</p>	<p>Assessed the appropriateness of the Company's accounting policy for recording of facultative premiums and investment income in line with requirements of applicable accounting and reporting standards;</p> <p>For a risk-based sample of policies of which facultative premium was recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate accounting period;</p> <p>Tested the facultative premium recorded on sample basis to test the accuracy from the underlying policies issued to insurance contract holders;</p> <p>Recalculated the unearned portion of facultative premium income and ensured that appropriate amount has been recorded as unearned premium reserve;</p> <p>For a sample of investment income transactions, tested that investment income is recorded based on the effective interest method or where right to receive the dividend is established; and</p> <p>Tested the investment income transaction on sample basis and subsequent to year end, and evaluated that these were recorded in the appropriate period.</p>
4	<p>Existence and impairment of insurance/ reinsurance receivables</p> <p>Refer note 14 to the financial statements, Company's total insurance/ reinsurance receivables balance stands at Rs. 8,141 million representing 23% of the total assets of the Company.</p> <p>We identified the valuation of insurance / reinsurance receivables as a key audit matter as the determination of impairment / provisions involves a significant degree of judgment.</p>	<p>Our audit procedures included the following:</p> <p>Obtained an understanding, evaluated the design and tested the operating effectiveness of controls designed for the recognition and valuation of receivables;</p> <p>Tested the accuracy of insurance / reinsurance receivables aging report, on a sample basis, by comparing individual balances in the report with underlying documentation to evaluate that the balances appearing in the aging report were classified within appropriate aging bucket;</p>

Sr. No	Key audit matters	How the matter was addressed in our audit
		<p>Assessed the appropriateness of assumptions and estimates made by the management for the provision for impairment by comparing, on a sample basis, past experience and historical trends of collection, actual write-offs and receipts and settlement from / with customers and reinsurer subsequent to the financial year end; and</p> <p>Assessed the historical accuracy of provisions for bad debt recorded by examining the utilization or release of previously recorded provisions.</p>

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, except for the effects of the matters discussed in Basis for Qualified Opinion paragraph, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matter

We have also issued a separate audit report dated April 30, 2021 giving disclaimer of opinion on the financial statements of Pakistan Reinsurance Company Limited - Window Retakaful Operations for the year ended December 31, 2020.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Shaukat Naseeb.

Grant Thornton Anjum Rahman

Chartered Accountants

Karachi

Date:

A person is working at a desk with a laptop and a smartphone. The background is a blurred office setting. Overlaid on the image are various financial charts, including bar graphs and line graphs, and a world map. The text "FINANCIAL STATEMENTS (CONVENTIONAL)" is displayed in white on a dark blue background at the bottom of the image.

FINANCIAL STATEMENTS

(CONVENTIONAL)

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	Note	2020	2019
----- (Rupees) -----			
ASSETS			
Property and equipment	7	57,228,369	63,881,050
Intangible assets	8	8,474,168	3,389,667
Assets in Bangladesh - net	9	-	-
Investment properties	10	25,496,671	26,849,593
Investments			
- Equity securities	11	3,763,247,842	3,865,745,207
- Debt securities	12	8,271,505,868	7,076,694,763
		12,034,753,710	10,942,439,970
Loans and other receivables			
Insurance / reinsurance receivables	13	2,879,142,000	2,865,239,725
Reinsurance recoveries against outstanding claims including IBNR	14	8,141,085,867	9,775,513,552
Deferred commission expense	15	5,603,808,031	3,934,364,721
Taxation - payments less provision	16	708,870,616	918,544,431
Prepayments	17	181,407,606	646,673,594
Stock of stationery	18	4,144,875,197	5,454,167,080
Cash and bank balances	19	-	499,806
		1,570,505,178	815,678,747
		35,355,647,413	35,447,241,936
Total assets from window retakaful operations - Operator's retakaful fund	20	409,366,837	359,369,153
Total Assets		35,765,014,250	35,806,611,089
EQUITY AND LIABILITIES			
Capital and reserves attributable to			
Company's equity holders			
Issued, subscribed and paid-up share capital	21.2	3,000,000,000	3,000,000,000
Reserves	22	7,241,544,195	6,828,797,675
Total Equity		10,241,544,195	9,828,797,675
Liabilities			
Underwriting provisions			
- Outstanding claims including IBNR	23	10,475,734,890	8,011,646,909
- Unearned premium reserves	24	6,513,672,434	8,451,658,849
- Unearned reinsurance commission	25	338,532,613	452,020,316
		17,327,939,937	16,915,326,074
Retirement benefit obligations	26	3,188,627,998	2,998,194,096
Deferred taxation	27	116,933,390	293,019,659
Insurance / reinsurance payables	28	4,550,351,722	5,511,514,237
Lease liabilities	29	26,778,855	24,287,522
Unclaimed dividends	30	155,208,129	107,273,466
Other creditors and accruals	31	88,202,370	78,341,208
		8,126,102,464	9,012,630,188
Total liabilities from window retakaful operations - Operator's retakaful fund	32	69,427,654	49,857,152
Total Liabilities		25,523,470,055	25,977,813,414
Total Equity and Liabilities		35,765,014,250	35,806,611,089
CONTINGENCIES AND COMMITMENTS			
	33		

The annexed notes from 1 to 60 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
	Note	----- (Rupees) -----	
Net insurance premium	34	6,708,834,772	6,905,155,171
Net insurance claims	35	(3,924,588,676)	(4,258,866,001)
Net commission and other acquisition costs	36	(925,195,332)	(1,242,908,813)
		(4,849,784,008)	(5,501,774,814)
Management expenses	37	(666,777,957)	(774,944,862)
Provision for doubtful debts	13 & 14	(426,553,066)	(122,923,613)
Underwriting results		765,719,741	505,511,882
Investment income - net	38	1,043,379,592	868,380,788
Rental income - net	39	83,419,433	69,900,127
Finance cost	40	(2,750,485)	(1,739,500)
Other income	41	74,353,871	752,368,760
Other expenses	42	(22,587,261)	(14,413,545)
		1,175,815,150	1,674,496,630
Total revenue from operations		1,941,534,891	2,180,008,512
Profit from window retakaful operations - Operator's retakaful fund	43	30,450,665	9,240,868
Profit before tax		1,971,985,556	2,189,249,380
Income tax expense	44	(580,546,325)	(704,966,847)
Profit after tax		1,391,439,231	1,484,282,533
Earnings per share - basic and diluted	45	4.64	4.95

The annexed notes from 1 to 60 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	----- (Rupees) -----	
Profit before tax	1,391,439,231	1,484,282,533
Other comprehensive loss		
Items that may be subsequently reclassified to profit or loss account		
Unrealized loss on available for sale investments	(177,022,021)	(31,031,439)
Unrealized (loss) / gain on available for sale investments - window retakaful operations - Operator's retakaful fund	(23,483)	192,662
Transfer to statement of profit or loss on disposal of available for sale investments	(28,915,788)	(130,857,159)
Impact of deferred tax	(5,848,419)	109,194,485
	(211,809,711)	(52,501,451)
Items that will not be subsequently reclassified to profit or loss account		
Remeasurement of defined benefit obligation 26	(166,883,000)	(410,883,000)
Other comprehensive loss for the year	(378,692,711)	(463,384,451)
Total comprehensive income for the year	1,012,746,520	1,020,898,082

The annexed notes from 1 to 60 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

	Reserves					Total reserves	Total
	Capital		Revenue				
	Reserve for exceptional losses	Unrealized gain on available for sale investment	General reserve	Unappropriated profit			
	----- (Rupees) -----						
Balance as at January 01, 2019	3,000,000,000	281,000,000	1,705,142,630	1,777,419,085	2,644,337,878	6,407,899,593	9,407,899,593
Total comprehensive income for the year							
Profit for the year	-	-	-	-	1,484,282,533	1,484,282,533	1,484,282,533
Unrealized loss on available for sale investments - net	-	-	(52,694,113)	-	-	(52,694,113)	(52,694,113)
Unrealized gain on available for sale investments - window retakaful operations - Operator's retakaful fund	-	-	192,662	-	-	192,662	192,662
Remeasurement of defined benefit obligations - net	-	-	-	-	(410,883,000)	(410,883,000)	(410,883,000)
	-	-	(52,501,451)	-	1,073,399,533	1,020,898,082	1,020,898,082
Transaction with owners							
Final cash dividend 2018: Rs. 2.00 @ 20% (2017 : Rs. 3.50 @ 35%) per share	-	-	-	-	(600,000,000)	(600,000,000)	(600,000,000)
Balance as at December 31, 2019	<u>3,000,000,000</u>	<u>281,000,000</u>	<u>1,652,641,179</u>	<u>1,777,419,085</u>	<u>3,117,737,411</u>	<u>6,828,797,675</u>	<u>9,828,797,675</u>
Balance as at January 01, 2020	3,000,000,000	281,000,000	1,652,641,179	1,777,419,085	3,117,737,411	6,828,797,675	9,828,797,675
Total comprehensive income attributable to Company's equity holders							
Profit for the year	-	-	-	-	1,391,439,231	1,391,439,231	1,391,439,231
Unrealized loss on available for sale investments - net	-	-	(211,786,228)	-	-	(211,786,228)	(211,786,228)
Unrealized loss on available for sale investments - window retakaful operations - Operator's retakaful fund	-	-	(23,483)	-	-	(23,483)	(23,483)
Remeasurement of defined benefit obligations - net	-	-	-	-	(166,883,000)	(166,883,000)	(166,883,000)
	-	-	(211,809,711)	-	1,224,556,231	1,012,746,520	1,012,746,520
Transaction with owners							
Final cash dividend 2019: Rs. 2.00 @ 20% (2018 : Rs. 2.00 @ 20%) per share	-	-	-	-	(600,000,000)	(600,000,000)	(600,000,000)
Balance as at December 31, 2020	<u>3,000,000,000</u>	<u>281,000,000</u>	<u>1,440,831,468</u>	<u>1,777,419,085</u>	<u>3,742,293,642</u>	<u>7,241,544,195</u>	<u>10,241,544,195</u>

The annexed notes from 1 to 60 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
		----- (Rupees) -----	
Operating cash flows			
Underwriting activities:			
Insurance premium received		18,106,756,395	13,307,677,162
Reinsurance premium paid		(11,792,533,325)	(6,691,097,296)
Claims paid	35	(8,924,707,349)	(6,154,840,384)
Reinsurance and other recoveries received	35	5,794,763,344	2,563,907,944
Commission paid	36	(1,688,588,859)	(2,008,093,531)
Commission received	36	859,579,639	789,301,418
Premium and claim reserves retained from retrocessionaires/withheld by ceding companies	28.3	-	5,538,230
Management expenses paid		(659,106,235)	(892,282,240)
Net cash generated from underwriting activities		1,696,163,611	920,111,303
Other operating activities:			
Income tax paid	17	(297,215,024)	(412,196,875)
Other operating payments		(7,546,453)	(13,440,254)
Loan repayments received		12,151,868	10,355,827
Other operating receipts		32,444,828	26,171,093
Net cash used in other operating activities		(260,164,781)	(389,110,209)
Total cash generated from all operating activities		1,435,998,830	531,001,094
Investing activities:			
Fixed capital expenditure (excluding right-of-use asset)	7.1	(1,019,042)	(4,286,348)
Intangible assets	8.1	(5,084,501)	(3,389,667)
Sale proceeds of fixed assets		-	310,483
Payment for investments		(10,193,546,808)	(12,562,833,147)
Proceeds from investments		8,988,453,439	9,857,624,042
Rental received		53,434,843	54,533,664
Dividend received		131,146,089	163,249,584
Profit / return received		178,294,745	171,703,139
Investment income received - net of expenses		719,214,174	649,381,755
Total cash used in investing activities		(129,107,062)	(1,673,706,495)
Financing activities:			
Dividend paid	30	(552,065,337)	(644,099,641)
Total cash used in financing activities		(552,065,337)	(644,099,641)
Net cash generated from / (used in) all activities		754,826,431	(1,786,805,042)
Cash and cash equivalents at beginning of the year		815,678,747	2,602,483,789
Cash and cash equivalents at end of the year	19	1,570,505,178	815,678,747

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
----- (Rupees) -----		
Reconciliation to profit or loss account		
Operating cash flows	1,435,998,830	531,001,094
Depreciation expense		
- Property and equipment	7.1 (7,671,723)	(8,299,025)
- Investment property	10 (1,352,922)	(1,434,407)
Exchange (loss) / gain	41 & 42 (15,299,960)	603,312,067
Rental income - net	84,772,355	71,334,534
Reinsurance recoveries against outstanding claims	1,669,443,310	3,059,593,484
Provision for outstanding claims	(2,464,087,981)	(3,727,527,045)
Decrease / (increase) in provision for unearned premium	1,937,986,415	(3,461,370,909)
(Decrease) / increase prepaid reinsurance	(1,309,342,041)	2,981,067,951
Provision for employee benefits	(23,550,902)	(4,062,142)
Dividend income	38 131,951,889	163,249,584
Other investment related expenses	51,028,512	(7,994,394)
Interest income	857,425,818	669,026,914
Amortization of Pakistan Investment Bonds	38 26,679,246	5,295,360
Realized gain on investments	38 39,160,453	178,731,505
(Decrease) / increase in operating assets other than cash	(1,657,336,183)	4,304,502,520
Decrease / (increase) in operating liabilities	888,514,750	(3,588,615,454)
	1,644,319,867	1,767,811,637
Other adjustments:		
Income tax paid	17 297,215,024	412,196,875
Profit before taxation	1,941,534,891	2,180,008,512
Provision for taxation	44 (580,546,325)	(704,966,847)
Profit after taxation from conventional reinsurance operations	1,360,988,566	1,475,041,665
Profit from Window Retakaful Operations - Operator's Fund	43 30,450,665	9,240,868
Profit after tax	1,391,439,231	1,484,282,533

The annexed notes from 1 to 60 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Reinsurance Company Limited (the Company) was incorporated in Pakistan as a public limited company on March 30, 2000 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company is engaged in providing reinsurance and other insurance business being forum of risk transfer. The shares of the Company are quoted on Pakistan Stock Exchange Limited.

With effect from February 15, 2001, the Company took over all the assets and liabilities of former Pakistan Insurance Corporation (PIC) vide SRO No.98(1)/2000 dated February 14, 2001 of the Ministry of Commerce issued in terms of Pakistan Insurance Corporation (Re-organization) Ordinance, 2000 to provide for conversion of Pakistan Insurance Corporation into Pakistan Reinsurance Company Limited which was established in 1952 as Pakistan Insurance Corporation (PIC) under PIC Act 1952. Accordingly, PIC has been dissolved and ceased to exist and the operations and undertakings of PIC are being carried out by the Company.

The Company was granted authorisation on September 26, 2018 under Rule 6 of the Takaful Rules, 2012 to undertake Window Retakaful Operations in respect of general retakaful products by the Securities and Exchange Commission of Pakistan (SECP).

The Company is under administrative control of Ministry of Commerce (Government of Pakistan). The Ministry of Commerce holds 44.88% shares of the Company. The Cabinet Committee on Privatisation (CCoP) on August 21, 2020 approved divestment of government stakes in the Company through public offerings.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at PRC Towers, 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi. The zonal office of the Company is located at 1st Floor, 15-A, Davis Road, State Life Building, Lahore, Pakistan.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements are prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017 ; and
- Provisions of and directives issued under the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, General Takaful Accounting Regulations, 2019, Takaful Rules, 2012 and Companies Act, 2017.

In case requirements differ, the provisions or directives of the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, General Takaful Accounting Regulations, 2019, Takaful Rules, 2012 and Companies Act, 2017 shall prevail.

Total assets, total liabilities and profit of the Window Retakaful Operations of the Company referred to as the Operator's retakaful fund have been presented in these financial statement in accordance with the requirements of Circular 25 of 2015 dated July 09, 2015. A separate set of financial statements of the Window Retakaful Operations has been reported which is annexed to these financial statements as per the requirements of the SECP Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

3.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except certain investments which have been measured at fair value and the Company's liability under retirement benefit obligations which is determined based on present value of defined benefit obligation less fair value of plan assets. No adjustment for the effect of inflation has been accounted for in the financial statements. All transactions reflected in these financial statements are on accrual basis except for those reflected in Statement of Cash Flows.

3.3 Functional and presentation currency

These financial statements have been prepared and presented in Pakistani Rupees (PKR), which is the Company's functional and presentation currency.

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 Standards, amendments and interpretations to the published standards that are relevant to the Company and adopted in the current year

During 2019, the SECP vide its S.R.O. 1416 (I) / 2019 dated November 20, 2019 had issued the General Takaful Accounting Regulations, 2019 (Regulations). These Regulations prescribe the format for the regulatory returns and published financial statements of the Window Takaful Operations applicable from January 1, 2020. The impact of these Regulations has been detailed in the financial statements of the Window Retakaful Operations for the year ended December 31, 2020.

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 3 - Definition of a Business - (Amendments)	January 1, 2020
IAS 1 and IAS 8 - Definition of Material - (Amendments)	January 1, 2020
IAS 39 and IFRS 7 Investment rate benchmark Reform (Amendments)	January 1, 2020
IFRS 16 - COVID-19 Rent Related Concessions (Amendment)	June 1, 2020
Annual improvements to accounting standards (2015-2017 cycle)	January 1, 2020

Adoption of the above standards have no effect on the amounts for the year ended December 31, 2020.

IFRS 9 'Financial Instruments' and amendment (effective for period ending on or after June 30, 2019) replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It has also carried forward the guidance on recognition and derecognition of financial instruments from IAS 39.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from the profit and loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of IFRS 9 until December 31, 2022.

For the companies adopting the temporary exemption, the IFRS 4 requires certain disclosures which have been disclosed as follows:

Temporary exemption from application of IFRS 9

As an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given below:

Fair value of financial assets as at December 31, 2020 and changes during the year

	<u>As at December 31, 2020</u>	<u>As at December 31, 2019</u>	<u>Changes during the year</u>
Financial assets with contractual cash flows that meet the SPPI criteria, excluding those held for trading			
Pakistan Investment Bonds - HTM	<u>7,641,957,966</u>	<u>6,494,868,260</u>	<u>1,147,089,706</u>
Pakistan Investment Bonds - available-for-sale	<u>629,547,902</u>	<u>581,826,503</u>	<u>47,721,399</u>
Financial assets that do not meet the SPPI criteria			
Listed securities - available-for-sale	<u>2,154,486,027</u>	<u>2,307,404,138</u>	<u>(152,918,111)</u>

4.2 Standards, amendments and interpretations to the published standards that may be relevant but not yet effective and not early adopted by the Company

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2 (Amendments)	January 1, 2022
IFRS 17 - Insurance Contracts	January 1, 2022
IFRS 3 - Reference to the Conceptual Framework (Amendments)	January 1, 2022
IAS 16 - Proceeds before Intended Use (Amendments)	January 1, 2022
IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	January 1, 2022

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FOR THE YEAR ENDED DECEMBER 31, 2020

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 1, IFRS 9, IFRS 16 and IAS 41 - Annual Improvements to accounting standards (2018-2020 cycle)	January 1, 2022
IAS 1 - Classification of Liabilities as Current or Non-current (Amendments)	January 1, 2023
Revised Conceptual Framework for Financial Reporting	April 1, 2020

Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The Company is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Company.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from effective date. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

4.3 Standards, amendments and interpretations to the published standards that are not yet notified by the SECP

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the SECP:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 14 - Regulatory Deferral Accounts	January 1, 2016
IFRS 17 - Insurance Contracts	January 1, 2023
IFRS 9 - ECL model on financial assets due from government	July 1, 2021

PAKISTAN REINSURANCE COMPANY LIMITED

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5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below and are consistent with those of the previous financial years.

5.1 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired.

In addition to direct insurance, at times the Company also participates in risks under co-insurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Company.

The Company neither issues investment contracts nor does it issue insurance contracts with Discretionary Participation Features (DPF).

5.1.1 Premiums

Premium written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk.

Provision for unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. The unearned portion of premium income is recognized as a liability. For treaty business the liability is calculated by applying 1/8 method and for facultative business over the period of insurance from the date of issuance of the policy to which it relates to its expiry.

5.1.2 Reinsurance contracts

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the accepted reinsurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amount payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balance due from reinsurance companies. Amount recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related insurance contract.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contracts are not offset against the expenses or income from related insurance contracts. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

The Company assesses its reinsurance assets for impairment on reporting date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the statement of profit or loss.

5.1.3 Receivables and payables related to insurance contracts

Receivables including premium due but unpaid, relating to insurance contracts are recognised when due. The claim payable is recorded when intimation is received. These are recognised at cost, which is the fair value of the consideration given less provision for impairment losses, if any. Premium received in advance is recognised as liability till the time of issuance of insurance contract thereagainst.

5.1.4 Reinsurance recoveries against outstanding claims

Claims recoveries receivable from the reinsurer are recognized as an asset at the same time as the claims which give rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received.

5.1.5 Commission

Commission and other acquisition costs incurred in obtaining and recording on direct, facultative and reinsurance cessions have been deferred and recognized as assets and liability as under:

a) Commission income

The revenue recognition policy for commission from reinsurer is given under note 5.12.2.

b) Deferred commission expense

Commission expenses are deferred and recognized as an asset in correlation with pattern of recognition of premium revenue.

Other acquisition are charged to Profit or Loss at the time policies are accepted.

5.1.6 Premium deficiency reserve

The Company is required to maintain a provision in respect of premium deficiency for the individual class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that class of business at the reporting date. The movement in the premium deficiency reserve is recognised as an expense in the profit or loss account. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims.

The management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses, expected to be incurred after the reporting date in respect of policies in those classes of business in force at the reporting date. Hence, no reserve for the same has been made in these financial statements.

PAKISTAN REINSURANCE COMPANY LIMITED

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FOR THE YEAR ENDED DECEMBER 31, 2020

5.2 Investments

5.2.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investments through profit or loss in which case transaction costs are charged to the Statement of profit or loss account. These are recognized and classified as follows:

- Held-for-trading;
- Held-to-maturity; and
- Available-for-sale.

5.2.2 Measurement

(a) Held for trading

Investments which are designated as held for trading upon initial recognition.

After initial recognition, the above investments are remeasured at fair value determined with reference to the rates prevailing in the stock exchange, where applicable. Gains or losses on remeasurement of these investments are recognized in profit or loss account.

(b) Held-to-maturity

Investments with fixed maturity and fixed income investments, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity. After initial recognition, these are carried at amortized cost less provision for impairment, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition using effective yield method.

(c) Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

5.2.3 Quoted securities - subsequent measurement

Subsequent to initial recognition, quoted investments are stated market value for available for sale investments and fixed income investments redeemable at a given date and where the cost is different from the redemption value, require such difference to be amortised uniformly between the date of acquisition and the date of maturity. The Company uses stock exchange quotations at the reporting date to determine the market value.

5.2.4 Unquoted securities

Unquoted investments are recorded at cost less impairment loss (if any).

5.2.5 Impairment

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

PAKISTAN REINSURANCE COMPANY LIMITED

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FOR THE YEAR ENDED DECEMBER 31, 2020

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

5.2.6 Date of recognition

Regular way purchase and sale of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

5.3 Investment properties

Investment properties are accounted for under the cost model in accordance with the International Accounting Standard (IAS) 40 "Investment Property" and Insurance Rules, 2017 issued by SECP vide its S.R.O. 89(1) / 2017 dated February 09, 2017.

Freehold land and building are considered as investment property only when they are being held to earn rentals or capital appreciation or both.

- Leasehold land is stated at cost.
- Building on leasehold land is depreciated to its estimated salvage value on reducing balance method over its useful life.
- Installations forming a part of building on leasehold land but having separate useful lives are depreciated at the rate of 20 percent under the reducing balance method.

Depreciation policy, subsequent capital expenditures on existing properties and gains or losses on disposals are accounted for in the same manner as tangible fixed assets.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit or loss in the period of derecognition.

5.4 Liability adequacy test

At the end of each reporting year, the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognized in the statement of profit or loss.

5.5 Commission expense, other acquisition costs and commission income

Commission expense and other acquisition costs are charged to the statement of profit or loss at the time the policies are accepted. Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to accounts as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

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FOR THE YEAR ENDED DECEMBER 31, 2020

5.6 Provision for outstanding claims including IBNR

A liability is recognized for outstanding claims incurred up to the reporting date and is considered to be incurred at the time of incident giving rise to the claim. Unpaid reported claims are based on prescribed statutory returns submitted by the ceding companies. Outstanding claims reserve and claims incurred but not reported (IBNR) to the Company up to the reporting date are recorded on the basis of actuarial valuation, results of which have been recognized in the financial statements. The above liability is measured at undiscounted value and includes expected settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates and provision for those claims which are incurred and not reported as at reporting date are made on the basis of specified guidelines issued by the Securities and Exchange Commission of Pakistan, according to which the Company should record those claims which are incurred but not reported on the basis of collection of data of IBNR claims reserves from the ceding companies (non-life insurers) in accordance with the share of Company on the account of facultative and treaty business.

5.7 Prepaid reinsurance ceded

Reinsurance premium is recognized as an expense evenly over the period of the underlying policies. The portion of reinsurance premium not yet recognized as expense is recognized as prepayment.

5.8 Staff retirement benefits

5.8.1 Gratuity

The Company operates approved gratuity and pension scheme for all its employees who are entitled to the scheme. The Company makes contributions or record liability in respect of defined benefit plans on the basis of actuarial valuations, carried out annually by independent actuaries and in line with the provisions of the Income Tax Ordinance, 2001. The latest actuarial valuations were carried out as of December 31, 2020 using the Projected Unit Credit Method based on the significant assumptions stated in relevant note for valuation of the funds.

5.8.2 Pension fund

The Company operates a defined benefit plan, a funded pension scheme for its employees and officers eligible for the pension scheme and payments are made annually to the extent allowed under the Income Tax Rules, 2002 to meet the obligations there-under on the basis of actuarial valuation. Liability for the fund is based on the advice of appointed actuary.

5.8.3 Provident fund

The Company contributes to a provident fund scheme which covers all permanent employees.

5.8.4 Compensated absences

The Company accounts for all accumulated compensated absences when the employees render service that increases their entitlement to future compensated absences based on actuarial valuation.

The Company makes periodic provisions in the financial statements for its liability towards defined encashment of leaves up to maximum of 365 days in respect of leave preparatory to retirement (LPR) on the basis of basic pay. The liability is estimated on the basis of actuarial advice under the Projected Unit Credit method carried out by a qualified actuary.

5.8.5 Post retirement medical benefits

The Company operates post retirement medical benefit plan and recognizes liability for post retirement medical facilities in respect of its eligible employees in accordance with requirements of IAS - 19 (Revised).

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

5.9 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

5.9.1 Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Provision for taxation is based on taxable income at the current rates of tax after taking into account applicable tax credits, rebates and exemptions available, if any.

5.9.2 Deferred

Deferred tax is accounted for using the balance sheet liability method, in respect of temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the statement of profit or loss except in the case of items credited or charged to equity in which case it is included in equity.

5.10 Property and equipment

Fixed assets except leasehold lands (other than land of PRC House and PRC Building, which has not been bifurcated) are stated at cost less accumulated depreciation calculated on written down values and accumulated impairment losses thereon. Leasehold land is stated at cost.

Depreciation is charged to income applying the reducing balance method. The rates of depreciation are stated in note 7.1 to the financial statements.

Depreciation on additions during the financial year is charged from the month in which asset is available for use whereas no depreciation is charged from the month in which the asset is disposed off. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The assets residual value and useful life are continuously reviewed by the Company and adjusted if impairment or depreciated is significant

Maintenance and normal repairs are charged to Statement of profit or loss as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any are retired.

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Gains and losses on disposal of fixed assets, if any, are included in other income.

5.11 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss. All expenditure including borrowing costs connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to operating assets as and when these are available for use.

5.12 Revenue recognition

5.12.1 Premium

Premium received / receivable under a policy are recognized evenly over the period of underlying policies or in accordance with the pattern of reinsurance service provided. Where the pattern of incidence of risk varies over the period of the policy, the premium is recognized as an income in accordance with the pattern of incidence of risk.

Revenue from premium is based on prescribed statutory returns submitted by the ceding companies. Premiums are taken to income, after (i) deducting reinsurance and (ii) adjusted for provision for unearned premium.

Premium recognition in case of coinsurance or pool arrangements is restricted to the Company's share only.

5.12.2 Commission income

Commission income is being taken to statement of profit or loss on a time proportion basis in accordance with the pattern of recognition of reinsurance premium.

5.12.3 Investment income

- Gain / loss on sale of investments is taken to the statement of profit or loss in the year of sale.
- Profit / interest income on investments securities are recognized on effective interest method.
- Gains or losses on investments on remeasurement of these investments held for trading or available for sale are recognized in statement of profit or loss or statement of other comprehensive income respectively
- Gains or losses on investments on remeasurement of these investments held for trading are recognized in statement of profit or loss.
- Dividend income is recognized when the right to receive such dividend is established.

5.12.4 Rental income

Rentals from investment properties are recognized over the term of the lease.

5.12.5 Wakala fee

Wakala fee is recognized in the Statement of profit or loss. Wakala Fee is taken 23% of Contribution earned from all business categories. This is recognized as a expense of Participant retakaful fund and income of Operator retakaful fund.

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5.12.6 Mudarib's fee

Mudarib fee is recognized in the Statement of profit or loss @ 25% of investment income of Participants' Retakaful Fund. This is recognized as an expense of Participant retakaful fund and income of Operator retakaful fund.)

5.12.7 Other

Profit on bank deposits is recognized on a time proportion basis taking into account the effective yield.

5.13 Management expenses

Management expenses allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated on the basis of net premium revenue under individual business.

5.14 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to statement of profit or loss.

5.15 Foreign currency translations

Transactions in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing on the date of transactions. Significant exchange rates applied during the year are provided in relevant note. Non-monetary assets and liabilities are translated into Pakistani Rupees using exchange rates prevalent on transaction date. Exchange differences on foreign currency translations are included in statement of profit or loss currently.

5.16 Impairment of assets

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

If a decline in fair value is significant or prolonged, then there is objective evidence of impairment, regardless of how long management intends to hold the investment.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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Non-financial assets

The carrying amounts of Company's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of asset exceeds its recoverable amount. Impairment losses are recognized in statement of profit or loss. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement of profit or loss.

5.17 Cash and cash equivalents

Cash and cash equivalents are carried at amortised cost. They comprise (a) cash in deposit accounts with banks (b) cash (and cheques) in hand, in transit and at banks in current accounts (c) stamps in hand and (d) term deposits maturing within 12 months.

5.18 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.19 Segment reporting

For management purposes, the Company is organized into six departments which deal with specific type of insurance policies. These departments are business segments for financial reporting purposes. Moreover, there are 'treaty arrangement' under each department and is treated as a separate segment. Thus the Company has seven segment - fire, marine cargo, marine hull, accident and others, aviation, engineering and treaty.

These segments are the basis on which the Company report its primary segment information. Other operations of the Company comprises investment in securities and in properties. The Company operates in Pakistan only. There are no transactions between segments.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

5.20 Provision for doubtful debts

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any, provision for impairment of premium receivables is established when the chances of recovery are less. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis. The provision is made while taking into consideration of expected recoveries, if any.

5.21 Financial instruments

Financial instruments carried on the statement of financial position include cash and bank deposits, loans, investments, amounts due from / to other insurers / reinsurers, premium and claim reserves retained from / by retrocessionaires / cedants, accrued investment income, sundry receivables, provision for outstanding claims, long term deposits, other creditors and accruals, retention money payable, dividend payable and surplus profit payable.

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All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprise the financial assets, and in the case of financial liabilities, when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition, all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to income directly.

5.22 Dividend and other appropriations

Dividend and appropriation to reserves are recognised as liability in the Company's financial statements in the year in which these are approved.

5.23 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. However, there were no dilutive potential ordinary shares in issue at December 31, 2020.

5.24 Leases

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly lease properties for its operations and recognizes a right-of use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of the right-of-use asset or end of lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate of the Company. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has elected not to recognise right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term.

5.25 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment, if any. Amortization is calculated on a straight-line basis over the estimated useful life of the asset.

6 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

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Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas where assumptions and estimates were exercised in application of accounting policies relate to:

6.1 Classification of investments

In classifying investments as held to maturity, the Company has determined financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment to maturity.

In classifying investments as held for trading, the Company has determined securities, which are acquired with the intention to trade, taking advantage of short-term market / interest rate movements.

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available for sale. Subsequent to the initial recognition at cost, quoted investments are stated at market value. Unquoted investments are stated at cost less impairment losses, if any.

6.2 Income tax

In making the estimates for income taxes currently payable by the Company, the management looks, at the current income tax laws and the decision of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

6.3 Property and equipment

In making estimates of the depreciation method, the management uses method which reflects pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

6.4 Impairment of available for sale investments

The Company determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged, requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

6.5 Premium deficiency reserve

The Company carries out an analysis of loss / combined ratios for the expired period, such ratio being calculated after taking into account the relevant IBNR provision for the determination of premium deficiency reserve for each class of business.

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6.6 Outstanding claims including incurred but not reported (IBNR)

The Company estimates the liability for claims, which include amounts relating to unpaid, reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates and provision for those claims which are incurred and not reported as at balance sheet date are made on the basis of specified guidelines issued by the Securities and Exchange Commission of Pakistan through letter no. ID/PRDD/IBNR/2017/9695 dated May 30, 2017, which states that Company should record those claims which are incurred but not reported on the basis of collection of data of IBNR claims reserves from the ceding companies (non-life insurers) in accordance with the share of Company on the account of facultative and treaty business.

6.7 Reinsurance

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

6.8 Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

6.9 Unearned premium reserve

The Company's estimate of the unearned premium reserve is based on current insurance industry practices in Pakistan and the directives issued by the Securities and Exchange Commission of Pakistan.

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Notes to the Financial Statements

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7 PROPERTY AND EQUIPMENT

7.1 Operating fixed assets

2020	Rupees												
	OWNED					LEASED					Total		
	Building	Furniture and fixtures, office equipment, books and computer equipment			Electrical installation, air-conditioning and lifts	Motor vehicles	Leasehold land		Right-of-use Assets				
PRC Tower	Furniture and fixtures	Office equipment	Books	Computer equipment	Electrical installation	Air-conditioning	Lifts	Motor vehicles	PRC House*	PRC Towers**	Leasehold land	Leasehold land	
As at January 01, 2020													
Cost	38,344,491	11,816,912	7,104,187	665,706	40,762,589	12,559,913	23,032,657	11,405,548	10,826,400	807,956	223,622	25,475,815	183,025,796
Accumulated depreciation	(26,356,282)	(10,465,493)	(4,697,651)	(385,378)	(24,893,455)	(11,649,174)	(20,607,228)	(10,641,105)	(7,205,316)	(486,712)	-	(1,756,953)	(119,144,746)
Net book value	11,988,209	1,351,419	2,406,536	280,328	15,869,134	910,739	2,425,429	764,443	3,621,084	321,244	223,622	23,718,862	63,881,050
December 31, 2020													
Opening net book value	11,988,209	1,351,419	2,406,536	280,328	15,869,134	910,739	2,425,429	764,443	3,621,084	321,244	223,622	23,718,862	63,881,050
Additions	-	131,280	160,010	-	727,752	-	-	-	-	-	-	-	1,019,042
Depreciation charge for the year	(599,410)	(138,114)	(366,609)	(28,033)	(3,222,202)	(182,148)	(485,086)	(152,889)	(724,217)	(16,062)	-	(1,756,953)	(7,671,723)
Net book value	11,388,799	1,344,585	2,199,937	252,295	13,374,684	728,591	1,940,343	611,554	2,896,867	305,182	223,622	21,961,909	57,228,369
As at December 31, 2020													
Cost	38,344,491	11,948,192	7,264,197	665,706	41,490,341	12,559,913	23,032,657	11,405,548	10,826,400	807,956	223,622	25,475,815	184,044,838
Accumulated depreciation	(26,955,692)	(10,603,607)	(5,064,260)	(413,411)	(28,115,657)	(11,831,322)	(21,092,314)	(10,793,994)	(7,929,533)	(602,774)	-	(3,513,906)	(126,816,469)
Net book value	11,388,799	1,344,585	2,199,937	252,295	13,374,684	728,591	1,940,343	611,554	2,896,867	305,182	223,622	21,961,909	57,228,369
Depreciation rate - percentage	5%	10%	15%	10%	20%	20%	20%	20%	20%	5%	-	Lease term**	

*This represents lease hold land of 1,388 Square Yards located at House No. 30-B, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

**This represents lease hold land of 7,918 Square Yards located at Plot No. 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

***The Company has entered into lease arrangement with Karachi Port Trust (KPT) for lease of land. The lease term of lease included in right-of-use asset is 13.5 years.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

	OWNED										LEASED			Total		
	Furniture and fixtures, office equipment, books and computer equipment					Electrical installation, air-conditioning and lifts			Lease land		Right-of-use Assets					
	Furniture and fixtures	Office equipment	Books	Computer equipment		Electrical installation	Air-conditioning	Lifts	Motor vehicles	PRC House*		PRC Towers**	Leasehold land			
	Rupees															
As at January 01, 2019																
Cost	38,344,491	11,755,762	6,996,887	36,644,691	12,659,713	23,032,657	11,405,548	11,840,400	807,956	223,622	-	-	-	154,377,433		
Accumulated depreciation	(25,725,324)	(10,317,825)	(4,286,815)	(354,230)	(11,492,947)	(20,000,871)	(10,449,994)	(6,992,853)	(469,804)	-	-	-	-	(111,620,696)		
Net book value	12,619,167	1,437,937	2,710,072	311,476	15,114,658	1,166,766	3,031,786	4,847,547	338,152	223,622	-	-	-	42,756,737		
December 31, 2019																
Opening net book value	12,619,167	1,437,937	2,710,072	311,476	15,114,658	1,166,766	3,031,786	4,847,547	338,152	223,622	-	-	-	42,756,737		
Additions	-	61,150	107,300	-	4,117,898	-	-	-	-	-	-	-	25,475,815	29,762,163		
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Cost	-	-	-	-	99,800	-	-	-	-	-	-	-	-	1,113,800		
Accumulated depreciation	-	-	-	-	(71,458)	-	-	(703,516)	-	-	-	-	-	(774,974)		
Depreciation charge for the year	(630,968)	(147,668)	(410,836)	(31,148)	(3,363,422)	(227,885)	(606,357)	(191,111)	(16,908)	-	-	(1,756,953)	(338,826)			
Net book value	11,988,209	1,351,419	2,406,536	280,328	15,869,134	910,739	2,425,429	3,621,084	321,244	223,622	-	-	-	63,881,050		
As at December 31, 2019																
Cost	38,344,491	11,816,912	7,104,187	665,706	40,762,589	12,559,913	23,032,657	11,405,548	807,956	223,622	-	-	-	183,025,796		
Accumulated depreciation	(26,356,282)	(10,465,493)	(4,697,651)	(385,378)	(24,893,455)	(11,649,174)	(20,607,228)	(10,641,105)	(486,712)	-	-	-	-	(119,144,746)		
Net book value	11,988,209	1,351,419	2,406,536	280,328	15,869,134	910,739	2,425,429	764,443	321,244	223,622	-	-	-	63,881,050		
Depreciation rate - percentage	5%	10%	15%	10%	20%	20%	20%	20%	5%	-	-	-	-	Lease term**		

*This lease hold land of 1,388 Square Yards are located at House No. 30-B, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

**This lease hold land of 7,918 Square Yards are located at Plot No. 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

***The Company has entered into lease arrangement with Karachi Port Trust (KPT) for lease of land. The lease term of lease included in right-of-use asset is 13.5 years.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

		<u>2020</u>	<u>2019</u>
8	INTANGIBLE ASSETS		
	Note	----- (Rupees) -----	
	Capital work-in-progress		
	Computer software	<u>8,474,168</u>	<u>3,389,667</u>
8.1	Computer software		
	Balance at the beginning of the year	<u>3,389,667</u>	-
	Additions	<u>5,084,501</u>	<u>3,389,667</u>
	Balance at the end of the year	<u>8,474,168</u>	<u>3,389,667</u>
8.2	This pertains to implementation of ERP and development of customized system solution which includes Reinsurance, Administration, Human Resource, Audit, Accounting and Finance, Investment, Coportate Affaris and Retakaful modules.		
9	ASSETS IN BANGLADESH - NET		
	Note	----- (Rupees) -----	
	Assets relating to Bangladesh which comprise of fixed assets and investments are as follows:		
	Fixed assets		
	Land and building	<u>8,608,000</u>	8,608,000
	Furniture and fixtures	<u>4,000</u>	4,000
		<u>8,612,000</u>	<u>8,612,000</u>
	Investments		
	Stock and shares	<u>7,112,000</u>	7,112,000
	Debentures	<u>250,000</u>	250,000
		<u>7,362,000</u>	<u>7,362,000</u>
		<u>15,974,000</u>	<u>15,974,000</u>
	Liabilities		
	Outstanding claims	<u>(4,952,000)</u>	(4,952,000)
	Other liabilities	<u>(809,000)</u>	(809,000)
		<u>(5,761,000)</u>	<u>(5,761,000)</u>
		<u>10,213,000</u>	10,213,000
	Provision for loss on assets in Bangladesh	<u>(10,213,000)</u>	<u>(10,213,000)</u>
		<u>-</u>	<u>-</u>

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

10 INVESTMENT PROPERTIES

2020	PRC Building, Karachi	PRC House	Lease hold land	PRC Towers, Karachi	Electrical installations	Air conditioning plant	Lifts	Total
----- Rupees -----								
As at January 01, 2020								
Cost	150,302	1,885,230	572,406	89,470,479	18,995,068	26,556,830	21,085,825	158,716,140
Accumulated depreciation	(90,542)	(1,135,657)	-	(64,263,038)	(18,921,358)	(26,451,895)	(21,004,057)	(131,866,547)
Net book value	59,760	749,573	572,406	25,207,441	73,710	104,935	81,768	26,849,593
December 31, 2020								
Opening net book value	59,760	749,573	572,406	25,207,441	73,710	104,935	81,768	26,849,593
Depreciation charge for the year	(2,988)	(37,479)	-	(1,260,372)	(14,742)	(20,987)	(16,354)	(1,352,922)
Net book value	56,772	712,094	572,406	23,947,069	58,968	83,948	65,414	25,496,671
As at December 31, 2020								
Cost	150,302	1,885,230	572,406	89,470,479	18,995,068	26,556,830	21,085,825	158,716,140
Accumulated depreciation	(93,530)	(1,173,136)	-	(65,523,410)	(18,936,100)	(26,472,882)	(21,020,411)	(133,219,469)
Net book value	56,772	712,094	572,406	23,947,069	58,968	83,948	65,414	25,496,671
Depreciation rate - percentage	5%	5%	-	5%	20%	20%	20%	
----- Rupees -----								
2019								
As at January 01, 2019								
Cost	150,302	1,885,230	572,406	89,470,479	18,995,068	26,556,830	21,085,825	158,716,140
Accumulated depreciation	(87,397)	(1,096,206)	-	(62,936,331)	(18,902,930)	(26,425,661)	(20,983,615)	(130,432,140)
Net book value	62,905	789,024	572,406	26,534,148	92,138	131,169	102,210	28,284,000
December 31, 2019								
Opening net book value	62,905	789,024	572,406	26,534,148	92,138	131,169	102,210	28,284,000
Depreciation charge for the year	(3,145)	(39,451)	-	(1,326,707)	(18,428)	(26,234)	(20,442)	(1,434,407)
Net book value	59,760	749,573	572,406	25,207,441	73,710	104,935	81,768	26,849,593
As at December 31, 2019								
Cost	150,302	1,885,230	572,406	89,470,479	18,995,068	26,556,830	21,085,825	158,716,140
Accumulated depreciation	(90,542)	(1,135,657)	-	(64,263,038)	(18,921,358)	(26,451,895)	(21,004,057)	(131,866,547)
Net book value	59,760	749,573	572,406	25,207,441	73,710	104,935	81,768	26,849,593
Depreciation rate - percentage	5%	5%	-	5%	20%	20%	20%	

10.1 The market value of these investment properties is Rs. 1,229.30 million (2019: Rs. 1,192.42 million) based on the valuation carried out by M/s M. J. Surveyors (Private) Limited, which are external, independent property valuers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment properties every year and are approved by State Bank of Pakistan.

10.2 The fair value of the investment properties has been categorized as a Level 3 fair value (based on the inputs to the valuation techniques used) and which is considered as highest and best use of investment property.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

11 INVESTMENTS IN EQUITY SECURITIES

Note	2020				2019			
	Cost	Impairment	Unrealized gain / (loss)	Carrying amount	Cost	Impairment	Unrealized gain / (loss)	Carrying amount
	----- Rupees -----							
Available for sale								
Related Parties								
Listed shares	88,521,808	-	819,512,316	908,034,124	88,521,808	-	1,205,178,299	1,293,700,107
Unlisted shares	1,235,840	(618,227)	-	617,613	1,235,840	(618,227)	-	617,613
Mutual funds	800,000,000	(223,323,313)	-	576,676,687	800,000,000	(273,411,423)	-	526,588,577
	889,757,648	(223,941,540)	819,512,316	1,485,328,424	889,757,648	(274,029,650)	1,205,178,299	1,820,906,297
Others								
Listed shares	284,641,458	-	961,810,445	1,246,451,903	308,712,513	-	704,991,518	1,013,704,031
Unlisted shares	1,372,264	(1,372,264)	-	-	1,372,264	(1,372,264)	-	-
Mutual funds	792,488,810	(84,334,445)	148,608,283	856,762,648	792,488,810	(107,329,675)	249,749,776	934,908,911
	1,078,502,532	(85,706,709)	1,110,418,728	2,103,214,551	1,102,573,587	(108,701,939)	954,741,294	1,948,612,942
Sub total	1,968,260,180	(309,648,249)	1,929,931,044	3,588,542,975	1,992,331,235	(382,731,589)	2,159,919,593	3,769,519,239
Held for trading								
Related Parties								
Listed shares	104,552,855	-	(19,465,388)	85,087,467	19,388,357	-	(2,100,139)	17,288,218
Others								
Listed shares	88,158,765	-	1,458,635	89,617,400	88,158,765	-	(9,221,015)	78,937,750
Sub total	192,711,620	-	(18,006,753)	174,704,867	107,547,122	-	(11,321,154)	96,225,968
Grand total	2,160,971,800	(309,648,249)	1,911,924,291	3,763,247,842	2,099,878,357	(382,731,589)	2,148,598,439	3,865,745,207

	2020				2019					
	Number of shares / certificates / units	Cost	Impairment	Unrealized gain	Carrying Amount	Number of shares / certificates / units	Cost	Impairment	Unrealized gain	Carrying Amount
	----- Rupees -----									
Available for sale - Related parties										
11.1 Listed shares										
National Bank of Pakistan	6,359,119	6,824,793	-	266,362,959	273,187,752	6,359,119	6,824,793	-	268,525,060	275,349,853
Pakistan State Oil Company Limited	14,042	371,225	-	2,652,018	3,023,243	14,042	371,225	-	2,319,784	2,691,009
Pakistan Petroleum Limited	546,480	27,388,953	-	21,974,585	49,363,538	546,480	27,388,953	-	47,555,314	74,944,267
Sui Southern Gas Company Limited	12,694,227	36,461,488	-	147,858,688	184,320,176	12,694,227	36,461,488	-	236,718,277	273,179,765
Sui Northern Gas Pipelines Limited *	8,698,203	17,110,611	-	369,263,566	386,374,177	8,698,203	17,110,611	-	645,431,511	662,542,122
Pakistan Engineering Company Limited	43,776	364,738	-	11,400,500	11,765,238	43,776	364,738	-	4,628,353	4,993,091
	28,355,847	88,521,808	-	819,512,316	908,034,124	28,355,847	88,521,808	-	1,205,178,299	1,293,700,107
11.2 Unlisted shares**										
State Bank of Pakistan	4,900	517,613	-	-	517,613	4,900	517,613	-	-	517,613
Industrial Development Bank of Pakistan ***	6,213	618,227	(618,227)	-	-	6,213	618,227	(618,227)	-	-
National Investment Trust Limited	79,200	100,000	-	-	100,000	79,200	100,000	-	-	100,000
	90,313	1,235,840	(618,227)	-	617,613	90,313	1,235,840	(618,227)	-	617,613
11.3 Mutual funds										
National Investment Unit Trust	8,292,733	800,000,000	(223,323,313)	-	576,676,687	8,292,733	800,000,000	(273,411,423)	-	526,588,577
Grand total	36,738,893	889,757,648	(223,941,540)	819,512,316	1,485,328,424	36,738,893	889,757,648	(274,029,650)	1,205,178,299	1,820,906,297

* Frozen shares

This represents 8,698,203 ordinary shares of Sui Northern Gas Pipelines Limited which are frozen on the basis of Government of Pakistan (GoP) directives F.10(6&14)EN-94/2005 dated April 13, 2005, as the same form part of the strategic shareholding under the control of the GoP. As a result, the Company is restricted from selling, transferring, encumbering or otherwise disposing of or dealing with any interest in the said shares, including any future bonus/right shares in respect thereof.

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Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

** Name of Company	2020		2019	
	CEO/Managing Director	Breakup value	CEO/Managing Director	Breakup value
State Bank of Pakistan	Dr. Reza Baqir	1,054,216	Dr. Reza Baqir	706,172
Industrial Development Bank of Pakistan	Not available		Not available	
National Investment Trust Limited	Adnan Afridi	Not available	Adnan Afridi	10,517

*** Industrial Development Bank of Pakistan (IDBP) has been dissolved and all assets and liabilities are vested in the Industrial Development Bank Limited (IDBL) vide Government of Pakistan (GoP)'s Finance division's S.R.O. (1)/2012 dated November 13, 2012.

11.4 Listed shares

	2020					2019				
	Number of shares	Cost	Impairment	Unrealized gain / (loss)	Carrying amount	Number of shares	Cost	Impairment	Unrealized gain / (loss)	Carrying amount
	----- Rupees -----					----- Rupees -----				
Banks										
Faysal Bank Limited	88,606	391,273	-	1,139,839	1,531,112	88,606	391,273	-	1,294,014	1,685,286
MCB Bank Limited	500,000	93,131,314	-	(491,314)	92,640,000	500,000	93,131,314	-	9,338,686	102,470,000
	588,606	93,522,587	-	648,525	94,171,112	588,606	93,522,587	-	10,632,700	104,155,286
Insurance										
Adamjee Insurance Company Limited	1,398,536	32,124,622	-	22,865,814	54,990,436	1,398,536	32,124,622	-	26,739,758	58,864,380
Asia Insurance Company Limited	33,104	224,800	-	341,940	566,740	33,104	224,800	-	304,864	529,664
Crescent Star Insurance Company Limited	304,491	608,982	-	249,682	858,665	304,491	1,008,982	-	75,674	1,084,656
Habib Insurance Company Limited	12,700	1,724	-	105,718	107,442	12,700	1,724	-	136,452	138,176
United Insurance Company of Pakistan Limited	1,249,635	166,165	-	9,930,886	10,097,051	1,101,804	166,165	-	10,411,153	10,577,318
	2,998,466	33,126,293	-	33,494,041	66,620,334	3,050,635	33,526,293	-	37,667,901	71,194,194
Personal Goods										
Khurshid Spinning Mills Limited	7,600	5,700	-	60,724	66,424	7,600	5,700	-	36,100	41,800
Crescent Jute Products Limited	157,314	-	-	-	-	157,314	-	-	-	-
Usman Textile Mills Limited	300	-	-	-	-	300	-	-	-	-
Muhammad Farooq Textile Mills Limited	4,100	-	-	-	-	4,100	-	-	-	-
Taj Textile Mills Limited	5,600	-	-	-	-	5,600	-	-	-	-
	174,914	5,700	-	60,724	66,424	174,914	5,700	-	36,100	41,800
General Industries										
Packages Limited	821,714	90,388,540	-	400,108,981	490,497,521	821,714	90,388,540	-	237,261,700	327,650,240
Hashmi Can Company Limited	5,250	-	-	-	-	5,250	-	-	-	-
	826,964	90,388,540	-	400,108,981	490,497,521	826,964	90,388,540	-	237,261,700	327,650,240
Household Goods										
Hussain Industries Limited	15,820	-	-	-	-	15,820	-	-	-	-
Toweliers Limited	129,759	1,048,453	-	11,952,101	13,000,554	129,759	1,048,453	-	8,543,332	9,591,785
	145,579	1,048,453	-	11,952,101	13,000,554	145,579	1,048,453	-	8,543,332	9,591,785
Food Producers										
Imperial Sugar Mills Limited	39,924	71,863	-	906,275	978,138	39,924	71,863	-	507,035	578,898
Jauharabad Sugar Mills Limited	5,520	15,942	-	112,288	128,230	5,520	15,942	-	109,362	125,304
Shahtaj Sugar Mills Limited	-	-	-	-	-	324	2,427	-	25,722	28,149
Sindh Abadgar's Sugar Mills Limited	65,500	327,500	-	524,000	851,500	65,500	327,500	-	991,015	1,318,515
	110,944	415,305	-	1,542,562	1,957,868	111,268	417,732	-	1,633,134	2,050,866
Construction and Materials										
Akzo Nobel Pakistan Limited	-	-	-	-	-	154,518	17,899,449	-	23,645,806	41,545,255
Dadabhoy Cement Industries Limited	17,300	-	-	-	-	17,300	-	-	-	-
Zeal Pak Cement Factory Limited	39,130	-	-	-	-	39,130	-	-	-	-
	56,430	-	-	-	-	210,948	17,899,449	-	23,645,806	41,545,255
Balance carried down	4,901,903	218,506,878	-	447,806,934	666,313,812	5,108,914	236,808,754	-	319,420,673	556,229,426
	----- Rupees -----					----- Rupees -----				
Balance brought down	4,901,903	218,506,878	-	447,806,934	666,313,812	5,108,914	236,808,754	-	319,420,673	556,229,426
Tobacco										
Philip Morris (Pakistan) Limited	10,580	18,403	-	4,810,517	4,828,920	10,580	18,403	-	26,420,805	26,439,208
Pakistan Tobacco Company Limited	3,000	9,961	-	15,621,354	15,631,315	3,000	9,961	-	7,311,689	7,321,650
	13,580	28,364	-	20,431,871	20,460,235	13,580	28,364	-	33,732,494	33,760,858
Electricity										
The Hub Power Company Limited	480,000	8,884,043	-	29,194,357	38,078,400	480,000	8,884,043	-	35,923,957	44,808,000
K-Electric Limited	100,000	223,790	-	167,210	391,000	100,000	223,790	-	213,210	437,000
Kot Addu Power Company Limited	30,000	1,481,678	-	(665,678)	816,000	30,000	1,481,678	-	(535,778)	945,900
	610,000	10,589,511	-	28,695,889	39,285,400	610,000	10,589,511	-	35,601,389	46,190,900
Refinery										
National Refinery Limited	350,000	19,725,359	-	102,718,641	122,444,000	452,363	25,494,538	-	38,324,834	63,819,372
Engineering										
Dewan Automotive Engineering Limited	52,333	-	-	-	-	52,333	-	-	-	-
Forestry and Paper										
Security Papers Limited	928,689	195,915	-	164,191,325	164,387,240	928,689	195,915	-	106,138,976	106,334,891
Chemicals										
ICI Pakistan Limited	307,281	35,595,431	-	197,965,784	233,561,215	307,281	35,595,431	-	171,773,152	207,368,583
Total	7,163,786	284,641,458	-	961,810,445	1,246,451,903	7,473,160	308,712,513	-	704,991,518	1,013,704,031

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

11.5 Unlisted shares

Cost of investment in unlisted companies
Less: provision for diminution in value

Note

11.5.1

	2020	2019
	----- (Rupees) -----	
	1,372,264	-
	(1,372,264)	(1,372,264)
	-	(1,372,264)

2020					2019				
Number of shares	Cost	Impairment	Unrealized gain / (loss)	Carrying amount	Number of shares	Cost	Impairment	Unrealized gain / (loss)	Carrying amount
----- Rupees -----					----- Rupees -----				

11.5.1 Cost of investment in unlisted companies

Insurance

Indus Assurance Limited	25,000	250,000	250,000	-	-	25,000	250,000	250,000	-	-
Pakistan Guarantee Insurance Company Limited	22,029	-	-	-	-	22,029	-	-	-	-
Sterling Insurance Company Limited	23,250	-	-	-	-	23,250	-	-	-	-
Union Insurance Corporation of Pakistan	56,227	-	-	-	-	56,227	-	-	-	-
	126,506	250,000	250,000	-	-	126,506	250,000	250,000	-	-

Cotton and Textile

Afsar Textile Mills Limited	1,000	9,950	9,950	-	-	1,000	9,950	9,950	-	-
Brothers Textile Mills Limited	353	-	-	-	-	353	-	-	-	-
Sahrish Textile Mills Limited	13,510	-	-	-	-	13,510	-	-	-	-
Kohinoor Cotton Mills Limited	22,397	219,801	219,801	-	-	22,397	219,801	219,801	-	-
	37,260	229,751	229,751	-	-	37,260	229,751	229,751	-	-

Chemical

Synthetic Chemical Limited	20,000	200,000	200,000	-	-	20,000	200,000	200,000	-	-
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Vanaspati and Allied Industries

Burma Oil Limited	861	6,470	6,470	-	-	861	6,470	6,470	-	-
Universal Oil Mills Limited	30,000	-	-	-	-	30,000	-	-	-	-
Burma Soap Limited	64	640	640	-	-	64	640	640	-	-
	30,925	7,110	7,110	-	-	30,925	7,110	7,110	-	-

Food Products

Pangrio Sugar Mills Limited	100,000	-	-	-	-	100,000	-	-	-	-
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Electricity

Southern Electric Power Company Limited	13,963	-	-	-	-	13,963	-	-	-	-
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Miscellaneous

Arag Industries Limited	133,333	685,403	685,403	-	-	133,333	685,403	685,403	-	-
	461,987	1,372,264	1,372,264	-	-	461,987	1,372,264	1,372,264	-	-

11.5.2 Financial statements of these companies are not available, therefore, the break-up value and the name of the Chief Executive Officer is not presented.

11.6 Mutual funds

2020					2019					
Number of units	Cost	Impairment	Unrealized gain / (loss)	Carrying amount	Number of units	Cost	Impairment	Unrealized gain / (loss)	Carrying amount	
----- Rupees -----					----- Rupees -----					
Open-End Mutual Funds										
JS Value Fund	40,949	2,267,483	-	6,471,811	8,739,294	40,949	2,267,483	-	5,876,006	8,143,489
NAFA Stock Fund	20,671,728	400,000,000	(84,334,445)	-	315,665,555	20,671,728	400,000,000	(107,329,675)	-	292,670,325
HBL Growth Funds - Class B Segment	15,000,000	105,632,400	-	168,213,600	273,846,000	15,000,000	105,632,400	-	180,539,100	286,171,500
	35,712,677	507,899,883	(84,334,445)	174,685,411	598,250,849	35,712,677	507,899,883	(107,329,675)	186,415,106	586,985,314
Close-End Mutual Funds										
HBL Growth Funds - Class A	30,406,721	284,541,230	-	(26,084,102)	258,457,129	30,406,721	284,541,230	-	63,311,658	347,852,888
HBL Investment Funds - Class A	17,246	47,697	-	6,973	54,670	17,246	47,697	-	23,012	70,709
	30,423,967	284,588,927	-	(26,077,129)	258,511,799	30,423,967	284,588,927	-	63,334,670	347,923,597
	66,136,644	792,488,810	(84,334,445)	148,608,283	856,762,648	66,136,644	792,488,810	(107,329,675)	249,749,776	934,908,911

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

Held-for-trading	Note	2020	2019
		----- (Rupees) -----	
11.7 Listed shares			
Cost of investment in listed companies	11.7.3	192,711,620	107,547,122
Unrealised loss for the year	11.7.3	(18,006,753)	(11,321,154)
	11.7.3	174,704,867	96,225,968

11.7.1 Related parties

Number of shares	2020				Number of shares	2019				
	Cost	Impairment	Unrealized gain / (loss)	Carrying amount		Cost	Impairment	Unrealized gain / (loss)	Carrying amount	
----- Rupees -----										
National Bank of Pakistan	399,266	19,388,357	-	(2,235,890)	17,152,467	399,266	19,388,357	-	(2,100,139)	17,288,218
Oil & Gas Development Authority Limited	350,000	42,592,500	-	(6,273,000)	36,319,500	-	-	-	-	-
Pakistan Petroleum Limited	350,000	42,571,998	-	(10,956,498)	31,615,500	-	-	-	-	-
	1,099,266	104,552,855	-	(19,465,388)	85,087,467	399,266	19,388,357	-	(2,100,139)	17,288,218

11.7.2 Others

Cement										
Attock Cement Limited	69,000	10,408,075	-	(54,625)	10,353,450	69,000	10,408,075	-	(3,275,545)	7,132,530
Technology and Communication										
Pakistan Telecommunication Company Limited	319,500	4,169,475	-	(1,282,025)	2,907,450	319,500	4,169,475	-	(1,178,955)	2,990,520
Commercial Bank										
United Bank Limited	250,000	40,200,850	-	(8,735,850)	31,465,000	250,000	40,200,850	-	924,150	41,125,000
Construction										
Aisha Steel Mills Limited	700,000	10,139,080	-	6,170,920	16,310,000	700,000	10,139,080	-	(3,426,080)	6,713,000
Household										
Pak Elektron Limited	550,000	18,494,685	-	3,576,815	22,071,500	550,000	18,494,685	-	(3,606,185)	14,888,500
Chemical										
Fauji Fertilizer Company Limited	60,000	4,746,600	-	1,783,400	6,510,000	60,000	4,746,600	-	1,341,600	6,088,200
Sub total of others	1,948,500	88,158,765	-	1,458,635	89,617,400	1,948,500	88,158,765	-	(9,221,015)	78,937,750

11.7.3 Grand total

	3,047,766	192,711,620	-	(18,006,753)	174,704,867	2,347,766	107,547,122	-	(11,321,154)	96,225,968
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12 INVESTMENTS IN DEBT SECURITIES

Investments -	Note	2020		2019	
		Cost	Carrying value/ Market value	Cost	Carrying value/ Market value
----- Rupees -----					
Investments - Held to maturity					
Pakistan Investment Bonds - fixed	12.1 & 12.2	2,007,804,600	2,017,569,742	1,968,571,127	1,949,351,760
Pakistan Investment Bonds - floating	12.2	551,691,150	551,454,689	-	-
Treasury Bills	12.2	4,859,252,700	4,973,013,535	4,361,503,400	4,445,556,500
Term Finance Certificates	12.3	99,920,000	99,920,000	99,960,000	99,960,000
	51	7,518,668,450	7,641,957,966	6,430,034,527	6,494,868,260
Investments - Available for sale					
Pakistan Investment Bonds	12.4	553,208,750	629,547,902	553,208,750	581,826,503
		8,071,877,200	8,271,505,868	6,983,243,277	7,076,694,763

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

12.1 This include an amount of Pakistan Investment Bonds Rs. 308 million (2019: Rs. 308 million) deposited with the State Bank of Pakistan as required by section 29 of the Insurance Ordinance, 2000.

12.2 Held-to-maturity - secured

	2020	2019	2020	2019	2020	2019
	Treasury bills		Pakistan Investment Bonds - fixed		Pakistan Investment Bonds - floating	
	Rupees in million					
Carrying value	4,973.01	4,445.56	2,017.57	1,949.35	551.45	-
Tenure	up to 12 months	up to 12 months	3 to 10 years	3 years to 10 years	3 to 5 years	-
Face value - Rupees in million	5,050	4,700	2,262.5	2,012	550	-
Market value - Rupees in million	4,975	4,687	2,195	1,878	551	-
Maturity dates	January 2020 to December 2020	January 2020 to December 2020	March 2020 to September 2029	March 2020 to September 2029	June 2023 to June 2025	-
Profit repayment - frequency	On maturity	On maturity	Half yearly	Half yearly	Half yearly	-
Principal repayment - frequency	On maturity	On maturity	On maturity	On maturity	disposal	-
Effective interest rate / coupon rate - per annum	12.71% to 13.76%	12.71% to 13.76%	7.25% to 12.00%	7.25% to 12.00%	7.62% to 7.67%	-

12.3 This represent investment in Term Finance Certificate having an aggregate face value Rs. 99.92 million (2019: 99.96 million) carrying markup at 6 months KIBOR + 1%. These have been placed with Bank Al Habib Limited for a term of 10 years, maturing on 2028. Accrued profit on these certificates amounting to Rs. 0.571 million (2019: 0.993 million).

12.4 Available-for-sale - secured

	2020	2019
	Pakistan Investment Bonds	
	Rupees in million	
Carrying value	629.55	581.83
Tenure	3 years to 10 years	3 years to 10 years
Face value - Rupees in million	625	625
Market value - Rupees in million*	629	581
Maturity dates	July 2021 to September 2029	July 2021 to September 2029
Profit repayment - frequency	Half yearly	Half yearly
Principal repayment - frequency	On maturity / disposal	On maturity / disposal
Effective interest rate / coupon rate - per annum	7.25% to 10.00%	7.25% to 10.00%
Unrealised gain	76.34	28.62

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

		<u>2020</u>	<u>2019</u>
		----- (Rupees) -----	
13	LOANS AND OTHER RECEIVABLES		
	Loans to employees	13.1 79,245,838	91,397,706
	Accrued investment income	13.2 103,805,616	107,806,649
	Sundry receivables - net	13.3 13,969,952	14,921,678
	Receivable from tenants	13.4 108,231,867	77,224,965
	Receivable from Sindh Revenue Board	33.2 <u>2,573,888,727</u>	<u>2,573,888,727</u>
		<u>2,879,142,000</u>	<u>2,865,239,725</u>

13.1 Loans to employees

Non current portion	65,272,061	78,505,824
Current portion	13,973,777	12,891,882
	<u>79,245,838</u>	<u>91,397,706</u>

13.1.1 No loan has been provided to the Directors of the Company. Details of loans to Executives of the Company is as under:

	<u>2020</u>	<u>2019</u>
	----- (Rupees) -----	
Balance at the beginning of the year	2,070,985	1,911,767
Add: disbursements during the year	600,000	1,500,000
Less: receipts during the year	(1,334,730)	(1,340,782)
Balance at the end of the year	<u>1,336,255</u>	<u>2,070,985</u>

13.1.2 Loans to employees represent mark-up free loans and are secured against retirement benefits of the respective employee including, where applicable, documents of assets for which the loan has been given. None of the amount is either past due or impaired, consequently no provision for bad or doubtful loans has been made.

13.1.3 The maximum month-end amount of these loan during the year has been amounting to Rs. 84,278,202 (2019: Rs. 91,397,706).

	<u>2020</u>	<u>2019</u>
	----- (Rupees) -----	
13.2	Accrued investment income	
	Dividend receivable	805,800
	Interest on held to maturity debt securities	82,904,905
	Interest on available for sale debt securities	20,094,911
		<u>103,805,616</u>
		<u>107,806,649</u>

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

		<u>2020</u>	<u>2019</u>
		----- (Rupees) -----	
13.3	Sundry receivables - net		
	Considered good		
	Advances	4,130,720	3,706,355
	Security deposits	4,942,065	4,917,065
	Other receivable	4,897,166	6,298,258
		13,969,951	14,921,678
	Considered doubtful		
	Export Credit Guarantee schemes	56,142,435	56,142,435
	Receivable against National Co-insurance Scheme	4,939,471	4,939,471
	Receivable against War Risk Insurance-Karachi	7,724,303	7,724,303
	Receivable against War Risk Insurance-Lahore	10,541,524	10,541,524
	Receivable from Investment Corporation of Pakistan	868,470	868,470
	Advances	2,054,347	-
	Other receivable	1,024,395	548,111
		83,294,945	80,764,314
		97,264,896	95,685,992
	Less: provision for doubtful debts	(83,294,944)	(80,764,314)
	Sundry receivables - net	13,969,952	14,921,678

13.3.1 This represents the total amount of income tax deposited by the Company since the year 1984-85 to the year 2001-02 in respect of Export Credits Guarantee Scheme (ECGS). The income of the respective years under the Scheme was transferred to the Government. The income tax department, however, taxed ECGS income by clubbing it with the Company's income. The Company's appeal in this respect which was pending before Honorable High Court has been dismissed. This amount was previously classified as advance tax and has been transferred as amount receivable from the Ministry of Finance, Government of Pakistan.

The Company had filed an appeal in the Honorable Supreme Court of Pakistan (SCP) in this respect which vide order dated August 21, 2007 granted leave to appeal filed by the Company against the judgment of the Honorable High Court. The matter is now before Alternate Dispute Resolution Committee (ADRC).

The ADRC therefore concluded that they would refer the matter to the FBR for providing a legal expert to the ADRC or to re-constitute the ADRC by including therein the legal expert who can interpret and decide on the applicability of the Article 165A of the Constitution of Pakistan in this case.

FBR via letter No. 2(48) IT-Jud/2006-ADR/45098-R regretted the request for reconstitution of ADRC. Therefore the Company pursued its case with the SCP which has already granted a leave to appeal against order of High Court, has remanded back the case to the High Court of Sindh where the matter is still pending for date of hearing. The Company has recorded provision amounting to Rs. 56.142 million (2019: Rs. 56.142 million) in these financial statements.

13.3.2 Amount is receivable from Government of Pakistan against expenses for running the affairs of War Risk Insurance Department (the Department) working under the supervision of Pakistan Insurance Corporation (defunct). The Department was set up for insurance of losses which could have occurred due to war.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
	----- (Rupees) -----	
13.3.3 Provision for doubtful debts		
Balance at the beginning of the year	80,764,314	80,764,314
Provision made during the year	2,530,630	-
Balance at the end of the year	83,294,944	80,764,314
13.4 Receivable from tenants		
Rentals	102,164,464	70,826,952
Electricity charges	6,157,301	6,398,013
Provision against electricity charges	(89,898)	-
	6,067,403	6,398,013
	108,231,867	77,224,965
14 INSURANCE / REINSURANCE RECEIVABLES		
Amount due from other reinsurers	529,873,972	327,339,588
Amount due from other insurers	14.1 & 14.2 8,651,474,050	10,064,503,581
	9,181,348,022	10,391,843,169
Less: provision for impairment in due from other insurers / reinsurers	14.3 (1,040,262,155)	(616,329,617)
	8,141,085,867	9,775,513,552
Premium and claim reserves retained by cedants	24,831,633	24,831,633
Less: provision for impairment in premium and claim reserves retained by cedants	(24,831,633)	(24,831,633)
	-	-
	8,141,085,867	9,775,513,552
14.1	This includes an amount of Rs. 553.92 (2019: 265.92) million which is under litigation and the Company has recorded a provision of Rs. 325.63 million (2019: Rs. 159.10 million) in respect of these balances.	
14.2	This includes an amount of Rs. 3,327,220,693 (2019: Rs. 5,377,764,168) due from a related party, National Insurance Company Limited. The age analysis of amount due from related party is as follows:	
	<u>2020</u>	<u>2019</u>
	----- (Rupees) -----	
Up to 3 months	1,621,987,912	3,391,257,210
Over 3 months and above	1,705,232,781	1,986,506,958
	3,327,220,693	5,377,764,168
14.3 Movement of provision for impairment		
Balance at the beginning of the year	616,329,617	524,634,292
Provisions made during the year	423,932,538	91,695,325
Balance at the end of the year	1,040,262,155	616,329,617

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

		<u>2020</u>	<u>2019</u>
		----- (Rupees) -----	
15	REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS INCLUDING IBNR		
	Facultative business	15.1 5,162,057,407	3,766,560,170
	Treaty	15.2 441,750,624	167,804,551
		<u>5,603,808,031</u>	<u>3,934,364,721</u>
15.1	Facultative business		
	Fire	245,413,842	206,495,743
	Marine cargo	66,733,022	39,267,000
	Marine hull	29,989,753	23,402,252
	Accident	-	612,403
	Aviation	3,974,870,199	1,242,590,061
	Engineering	845,050,591	2,254,192,711
		<u>5,162,057,407</u>	<u>3,766,560,170</u>
15.2	Treaty		
	Proportional	376,534,914	155,653,223
	Non-proportional	65,215,710	12,151,328
		<u>441,750,624</u>	<u>167,804,551</u>
16	DEFERRED COMMISSION EXPENSE		
	Facultative business	16.1 305,594,212	394,177,408
	Treaty	16.2 403,276,404	524,367,023
		<u>708,870,616</u>	<u>918,544,431</u>
16.1	Facultative business		
	Fire	79,674,038	85,237,464
	Marine cargo	477,411	516,378
	Marine hull	6,222,156	10,140,080
	Accidents and others	4,050,395	5,305,244
	Aviation	8,479,821	150,913,962
	Engineering	206,690,391	142,064,280
		<u>305,594,212</u>	<u>394,177,408</u>
16.2	Treaty		
	Proportional	399,694,547	521,396,307
	Non-proportional	3,581,856	2,970,716
		<u>403,276,403</u>	<u>524,367,023</u>
17	TAXATION - PAYMENTS LESS PROVISION		
	Balance at the beginning of the year	646,673,594	884,893,081
	Tax paid / deducted during the year	297,215,024	412,196,875
	Provision for taxation	44 (762,481,012)	(650,416,362)
	Balance at the end of the year	<u>181,407,606</u>	<u>646,673,594</u>

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

		<u>2020</u>	<u>2019</u>
		----- (Rupees) -----	
18	PREPAYMENTS		
	Prepaid reinsurance ceded - facultative business	18.1 3,709,212,363	5,059,023,826
	Prepaid reinsurance ceded - treaty business	18.2 434,919,861	394,450,439
		4,144,132,224	5,453,474,265
	Others	742,973	692,815
		4,144,875,197	5,454,167,080
18.1	Prepayment reinsurance ceded - facultative business		
	Fire	17,885,008	20,949,844
	Marine hull	54,446,935	79,508,541
	Accidents and others	2,938,875	3,272,048
	Aviation	168,543,304	2,501,613,136
	Engineering	3,465,398,241	2,453,680,257
		3,709,212,363	5,059,023,826
18.2	Prepaid reinsurance ceded - treaty business		
	Proportional	336,674,207	339,897,462
	Non-proportional	98,245,654	54,552,977
		434,919,861	394,450,439
19	CASH AND BANK BALANCES		
	Cash in hand	100,232	148,775
	Cash at bank in:		
	Saving accounts		
	- Local currency	87,404,388	65,470,830
	- Foreign currency	699,769,599	193,376,310
		19.1 787,173,987	258,847,140
	Current accounts		
	- Local currency	628,022,830	444,561,984
	Dividend accounts		
	- Saving accounts	19.1 64,071,843	61,602,961
	- Current accounts	91,136,286	50,517,887
		155,208,129	112,120,848
		1,570,505,178	815,678,747
19.1	Saving accounts carry markup at the rates ranging from 6.25% to 11.25% (2019: 8.75% to 11.25%) per annum.		

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>
	----- (Rupees) -----			----- (Rupees) -----	
20	TOTAL ASSETS FROM WINDOW RETAKAFUL OPERATIONS - OPERATOR'S RETAKAFUL FUND				
	Assets				
	Investments	17,251,711		16,121,995	
	Other receivable	1,377,632		-	
	Receivable from Participant's retakaful fund - net	29,557,577		51,018,561	
	Deferred commission expense	41,504,925		34,719,365	
	Bank balances	319,674,992		257,509,232	
	Total Assets	409,366,837		359,369,153	
21	SHARE CAPITAL				
21.1	Authorized share capital				
	2020	2019		2020	2019
	(Number of shares)			----- (Rupees) -----	
	<u>2,500,000,000</u>	2,500,000,000	Ordinary shares of Rs.10/- each	<u>25,000,000,000</u>	25,000,000,000
21.2	Issued, subscribed and paid-up share capital				
	2020	2019			
	(Number of shares)				
	8	8	Ordinary shares of Rs.10/- each fully paid in cash	80	80
	5,000,000	5,000,000	Ordinary shares of Rs.10/- each issued for consideration other than cash	50,000,000	50,000,000
	294,999,992	294,999,992	Ordinary shares of Rs.10/- each issued as fully paid bonus shares	2,949,999,920	2,949,999,920
	<u>300,000,000</u>	<u>300,000,000</u>		<u>3,000,000,000</u>	<u>3,000,000,000</u>

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

		<u>Number of Shares</u>	<u>Percentage of Holding (%)</u>
21.3	Shares of the Company held by related parties:		
	Ministry of Commerce	134,639,785	44.88%
	PRCL Employees Empowerment Trust	18,359,971	6.12%
	State Life Insurance Corporation of Pakistan	73,232,201	24.41%
		<u>226,231,957</u>	<u>75.41%</u>
22	RESERVES	<u>2020</u>	<u>2019</u>
		----- (Rupees) -----	
	Capital		
	Reserve for exceptional losses	281,000,000	281,000,000
	Revaluation reserve on available for sale investments	1,440,831,468	1,652,641,179
	Revenue		
	Retained earnings	3,742,293,642	3,117,737,411
	General reserve	1,777,419,085	1,777,419,085
		<u>7,241,544,195</u>	<u>6,828,797,675</u>
22.1	These reserves for exceptional losses was set aside prior to 1979 and was charged to statement of profit or loss with the provision of Income Tax Act, 1922 (repealed), and has been so retained to date.		
22.2	This represents unrealized gain on remeasurement of available for sale investments at fair value and is not available for distribution. This shall be transferred to Statement of profit or loss on dereignition of investments as permitted under IAS 39.		
		<u>2020</u>	<u>2019</u>
		----- (Rupees) -----	
23	OUTSTANDING CLAIMS INCLUDING IBNR		
	Facultative business	7,645,430,680	5,827,427,587
	Treaty	2,835,256,210	2,189,171,322
		<u>10,480,686,890</u>	<u>8,016,598,909</u>
	Claims related to Bangladesh, adjusted in note 9	(4,952,000)	(4,952,000)
		<u>10,475,734,890</u>	<u>8,011,646,909</u>
23.1	Facultative business		
	Fire	1,765,854,730	1,317,826,301
	Marine cargo	140,719,544	105,809,839
	Marine hull	81,818,633	62,691,477
	Accident and others	327,965,630	305,059,745
	Aviation	4,220,242,139	1,413,414,449
	Engineering	1,108,830,004	2,622,625,776
		<u>7,645,430,680</u>	<u>5,827,427,587</u>

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

		<u>2020</u>	<u>2019</u>
	Note	----- (Rupees) -----	
23.2	Treaty		
	Proportional	2,416,686,917	2,030,645,587
	Non-proportional	418,569,293	158,525,735
		<u>2,835,256,210</u>	<u>2,189,171,322</u>
23.3	The Securities and Exchange Commission of Pakistan (SECP) issued guidelines for estimation of Incurred but Not Reported (IBNR) claim reserves for non-life insurer companies through Circular No. 9 of 2016 dated March 09, 2016. The guidelines prescribe the standard method for estimation of IBNR claim reserves so as to bring industry wide-uniformity in respect of such estimation and to ensure adequacy of IBNR claims reserve. All non-life insurance companies are required to comply with these guidelines with effect from July 01, 2016.		
	However, on May 30, 2017 SECP issued separate guidelines for the Company for estimation of Incurred but Not Reported (IBNR) claim through letter No. ID/PRDD/IBNR/2017/9695 which prescribe that, for the purposes of ascertaining IBNR claim reserves by the Company, guidance is hereby extended, that the Company shall collect the data of IBNR claim reserves from the cedants (non-life insurers) and in accordance with its share in the reinsurance program (both on treaty and facultative basis) of the cedant(s) it shall record its IBNR claim reserves.		
	On the basis of above SECP specified guidelines, the Company wrote letter to each ceding Company to share data of IBNR Claims Reserves in accordance with its share in the reinsurance program both for facultative and treaty business. However, none of the ceding companies shared their IBNR Claim Reserves. The Company recorded Facultative and Treaty IBNR claim reserves on basis of actuarial valuation amounting to Rs. 687.99 million and Rs. 131.30 million respectively.		
23.4	Claims related to Bangladesh		
	Facultative business		
	Fire	2,382,000	2,382,000
	Marine	1,470,000	1,470,000
	Miscellaneous	1,100,000	1,100,000
		<u>4,952,000</u>	<u>4,952,000</u>
24	UNEARNED PREMIUM RESERVES		
	Facultative business	24.1 4,567,675,055	6,396,477,814
	Treaty	24.2 1,945,997,379	2,055,181,035
		<u>6,513,672,434</u>	<u>8,451,658,849</u>
24.1	Facultative business		
	Fire	566,711,447	563,735,480
	Marine cargo	7,963,063	6,552,853
	Marine hull	93,166,700	118,792,816
	Accident and others	44,987,784	56,340,140
	Aviation	236,576,190	2,980,344,955
	Engineering	3,618,269,871	2,670,711,570
		<u>4,567,675,055</u>	<u>6,396,477,814</u>

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		<u>2020</u>	<u>2019</u>
	Note	----- (Rupees) -----	
24.2	Treaty		
	Proportional	1,506,408,842	1,770,946,989
	Non-proportional	439,588,537	284,234,046
		<u>1,945,997,379</u>	<u>2,055,181,035</u>
25	UNEARNED REINSURANCE COMMISSION		
	Facultative business	25.1 338,524,042	451,833,681
	Treaty	25.2 8,571	186,635
		<u>338,532,613</u>	<u>452,020,316</u>
25.1	Facultative business		
	Fire	1,788,500	1,025,832
	Marine hull	5,444,693	10,256,170
	Accident and others	293,888	327,205
	Aviation	14,153,699	249,843,471
	Engineering	316,843,262	190,381,003
		<u>338,524,042</u>	<u>451,833,681</u>
25.2	Treaty		
	Proportional	7,346	144,475
	Non-proportional	1,225	42,160
		<u>8,571</u>	<u>186,635</u>
26	RETIREMENT BENEFITS OBLIGATIONS		
	Defined benefit obligations of post employee benefits		
	Officers' pension benefits	26.1 1,303,669,055	1,393,804,831
	Employees' pension fund	26.1 718,558,673	572,392,083
	Gratuity fund	26.1 4,583,728	16,252,749
	Other post employment benefits		
	Post retirement medical benefits	26.1 1,068,405,542	903,757,664
	Other long term employment benefits		
	Compensated absences	26.1 93,411,000	111,986,769
		<u>3,188,627,998</u>	<u>2,998,194,096</u>

PAKISTAN REINSURANCE COMPANY LIMITED

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26.1 EMPLOYEE BENEFITS

Note	2020						2019						
	Post employment benefits						Post employment benefits						
	Retirement benefits			Other post-employment benefits			Retirement benefits			Other post-employment benefits			Total
	Pension		Gratuity	Medical	Compensated absences	Total	Pension		Gratuity	Medical	Compensated absences	Total	
	Officer	Employees					Officer	Employees					
	Rupees in millions												

26.1.1 Payable to defined benefit plan

Present value of defined benefit obligation (PVDBO)	26.1.4	2,660,654	480,782	4,583	1,068,405	93,411	4,307,835	2,646,071	459,463	16,252	903,759	118,534	4,144,079
Fair value of plan assets	26.1.5	(1,356,965)	237,777	-	-	-	(1,119,208)	(1,252,268)	112,928	-	-	-	(1,139,340)
	26.1.2	1,303,669	718,559	4,583	1,068,405	93,411	3,188,627	1,393,803	572,391	16,252	903,759	118,534	3,004,739

26.1.2 Movement in payable to / (receivable) from defined benefit plan

Opening balance		1,393,803	572,391	16,252	903,759	118,534	3,004,739	1,316,189	437,384	13,779	698,828	117,066	2,583,793
Expenses recognized													
- Current service cost		4,194	9,218	1,752	16,304	4,254	35,722	12,775	9,250	1,545	14,274	4,973	42,817
- Interest cost		152,234	26,338	1,028	56,113	12,678	248,391	168,060	27,436	1,712	47,150	21,546	265,904
- Re-measurements		-	-	-	-	(30,381)	(30,381)	-	-	-	-	(15,962)	(15,962)
- Interest income on plan assets		(73,571)	6,635	-	-	-	(66,936)	(77,572)	2,635	-	-	-	(74,937)
		62,656	42,191	2,780	72,417	(13,448)	186,797	103,263	39,321	3,257	61,424	10,557	217,822
Other comprehensive income													
Actuarial (gain) / loss on defined benefit obligations arising from changes:													
- Experience (gains) / losses		(32,151)	8,060	(0,217)	104,123	-	79,815	90,746	38,416	1,876	169,525	-	300,563
Actuarial (gain) / loss on plan assets		(31,146)	118,214	-	-	-	87,068	23,642	86,678	-	-	-	110,320
		(63,297)	126,274	(0,217)	104,123	-	166,883	114,388	125,094	1,876	169,525	-	410,883
Contributions to the fund		(109,697)	(22,297)	(14,232)	-	(11,674)	(157,900)	(140,037)	(29,408)	(2,660)	-	(9,089)	(181,194)
Benefits paid - net		-	-	-	(11,893)	-	(11,893)	-	-	-	(26,018)	-	(26,018)
Closing balance	26.1.1	1,303,667	718,559	4,583	1,068,406	93,411	3,188,627	1,393,803	572,391	16,252	903,759	118,534	3,005,286

26.1.3 Charge for the year

Statement of profit or loss		82,656	42,191	2,780	72,417	(13,448)	186,797	103,263	39,321	3,257	61,424	10,557	217,822
Statement of other comprehensive income		(63,297)	126,274	(0,217)	104,123	-	166,883	114,388	125,094	1,876	169,525	-	410,883

Note	2020						2019						
	Post employment benefits						Post employment benefits						
	Retirement benefits			Other post-employment benefits			Retirement benefits			Other post-employment benefits			Total
	Pension		Gratuity	Medical	Compensated absences	Total	Pension		Gratuity	Medical	Compensated absences	Total	
	Officer	Employees					Officer	Employees					
	Rupees in millions												

26.1.4 Movement in PVDBO

Opening balance		2,646,073	459,463	16,252	903,758	118,534	4,144,080	2,514,529	413,769	13,780	698,827	117,066	3,757,971
Current service cost		4,194	9,218	1,752	16,304	4,254	35,722	12,775	9,250	1,545	14,274	4,973	42,817
Interest cost		152,234	26,338	1,028	56,113	12,678	248,391	168,060	27,436	1,712	47,150	21,546	265,904
Benefits paid		(109,697)	(22,297)	(14,232)	(11,893)	(11,674)	(169,793)	(140,037)	(29,408)	(2,660)	(26,018)	(9,089)	(207,212)
Experience adjustment		(32,151)	8,060	(0,217)	104,123	(30,381)	49,434	90,746	38,416	1,876	169,525	(15,962)	284,601
Present value of obligation at the end of the period	26.1.1	2,660,654	480,782	4,583	1,068,405	93,411	4,307,835	2,646,073	459,463	16,252	903,758	118,534	4,144,081

26.1.5 Fair value of plan assets

Fair value at the beginning of the year		1,252,268	(112,928)	-	-	-	1,139,340	1,198,338	(23,615)	-	-	-	1,174,723
Contributions to the fund		109,697	22,297	-	-	-	131,994	140,037	29,408	-	-	-	169,445
Interest income on plan assets		73,571	(8,635)	-	-	-	66,936	77,572	(2,635)	-	-	-	74,937
Benefits paid		(109,697)	(22,297)	-	-	-	(131,994)	(140,037)	(29,408)	-	-	-	(169,445)
Actuarial gain / (loss) on plan assets		31,146	(118,214)	-	-	-	(87,068)	(23,642)	(86,678)	-	-	-	(110,320)
Fair value at the end of the year	26.1.1	1,356,965	(237,777)	-	-	-	1,119,208	1,252,268	(112,928)	-	-	-	1,139,340

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26.1.6	Actual return on plan assets	104,717	(124,849)	-	-	-	(20,132)	53,930	(89,313)	-	-	-	(35,383)
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26.1.7 Composition of fair value of plan assets

	2020						2019						
	Pension - officers'		Pension - employees'		Gratuity		Pension - officers'		Pension - employees'		Gratuity		
	Amount in Rupees	Percentage	Amount in Rupees	Percentage	Amount in Rupees	Percentage	Amount in Rupees	Percentage	Amount in Rupees	Percentage	Amount in Rupees	Percentage	
Assets with an active market													
Open ended mutual funds units / Equity / Treasury bills	174,645,000	12.87%	200,267,000	27.58%	173,417,000	92.97%	159,847,000	12.76%	279,939,000	36.77%	159,626,000	93%	6%
Assets with no active market													
Term deposit receipts	90,000,000	6.63%	333,000,000	45.86%	-	-	-	-	294,000,000	38.61%	-	-	-
Receivable from Gratuity Fund	87,151,000	6.42%	99,388,000	13.69%	-	-	80,147,000	6.40%	91,401,000	12.00%	-	-	-
Receivable from Employees Provident Fund	79,057,000	5.83%	90,159,000	12.42%	-	-	79,011,000	6.31%	90,106,000	11.83%	-	-	-
Receivable from Employees Pension Fund	920,280,000	67.82%	-	-	-	-	834,721,000	66.66%	-	-	-	-	-
Cash and bank balances	5,852,000	0.43%	3,371,000	0.46%	1,123,000	0.60%	10,542,000	0.84%	5,967,000	0.78%	922,000	1%	-
Payable to General Provident Fund	-	-	(43,682,000)	-	-	0.00%	-	-	(39,621,000)	-	-	-	-
Payable to Employees Pension Fund	-	-	-	-	(99,389,000)	-	-	-	-	-	(91,401,000)	-	-
Payable to Officers Pension Fund	-	-	(920,280,000)	-	(87,151,000)	-	-	-	(834,721,000)	-	(80,147,000)	-	-
Net assets of the fund	1,356,965,000	100.00%	(237,777,000)	100.00%	-	100.00%	1,252,268,000	100.00%	(112,929,000)	100.00%	-	-	100.00%

26.1.8 The funds have no holding in the Company's equity instruments as plan assets. Moreover, the funds have no property or other assets, as its plan assets, occupied or used by the Company.

26.1.9 Actuarial valuation assumptions

	2020					2019				
	Pension		Gratuity	Medical	Compensated absences	Pension		Gratuity	Medical	Compensated absences
	Officer	Employees				Officer	Employees			
Valuation discount rate	11.75%	11.75%	11.75%	11.75%	11.75%	13.75%	13.75%	13.75%	13.75%	13.75%
Expected return in plan assets	10.25%	10.25%	10.25%	-	-	11.75%	11.75%	11.25%	-	-
Salary increase rate	10.25%	10.25%	10.25%	-	10.25%	11.75%	11.75%	11.25%	-	11.25%
Indexation in pension	6.25%	6.25%	-	-	-	7.25%	7.25%	-	-	-
Medical inflation rate	-	-	-	10.25%	-	-	-	-	12.50%	-

26.1.10 The effect of one percentage movement in the assumptions (rates) would have following effects:

	Original	1% Increase	1% Decrease
	Rupees in millions		
Valuation discount rate			
Present value of obligation - other than medical	3,146.019	3,114.558	3,177.479
Financial impact on present value of obligation	-	(31.460)	31.460
Valuation discount rate %	11.75%	12.75%	10.75%
Salary increase rate			
Present value of obligation - other than medical	3,146.019	3,114.558	3,177.479
Financial impact on present value of obligation	-	(31.460)	31.460
Salary increase rate %	10.25%	11.3%	9.3%
Medical inflation rate			
Present value of obligation - medical	1,068.405	1,057.721	1,079.089
Financial impact on present value of obligation	-	(10.684)	10.684
Medical inflation rate %	10.25%	11.3%	9.3%
Life expectancy			
Present value of obligation	4,307.835	4,264.756	4,350.913
Financial impact on present value of obligation	-	(43.078)	43.078

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26.1.11 Expected charge to the Funds for the year ending December 31, 2021

Post employment benefits					Total
Retirement benefits		Other post-employment benefits			
Pension	Gratuity	Medical	Compensated absences		
Officer	Employees				
68.626	46.418	2.401	72.731	-	190.176

26.1.12 The Mortality Table SLIC (2001-05) with 1 year setback, based on the experience of the lives insured with State Life Insurance Corporation of Pakistan, has been used in determining the Liability in respect of the Benefits payable under the Plan.

	Note	2020	2019
----- (Rupees) -----			
27	DEFERRED TAXATION		
Deferred tax liabilities on taxable temporary differences:			
Property and equipment		2,517,325	3,311,107
Intangible assets		-	-
Right-of-use assets		6,368,954	6,878,470
Unrealized gain on investments		554,458,044	557,104,995
		563,344,323	567,294,572
Deferred tax assets on deductible temporary differences:			
Provision for doubtful debts		(24,181,604)	(23,421,651)
Provision for impairment of insurers / reinsurers receivable		(301,676,025)	(178,735,589)
Provision for impairment of receivables from other insurers / reinsurers		(7,201,174)	(4,930,000)
Provision for dividend receivable		-	(579,285)
Held to maturity investments		-	(1,535,654)
Lease liabilities		(7,765,868)	(7,043,381)
Notional interest on interest free loans		(15,788,270)	(18,887,384)
Provision for impairment in available for sale investments		(89,797,992)	(39,141,969)
		(446,410,933)	(274,274,913)
		116,933,390	293,019,659
28	INSURANCE / REINSURANCE PAYABLES		
Due to other insurers/reinsurers	28.1 & 28.2	4,534,527,366	5,495,689,881
Premium and claim reserves retained from retrocessionaires	28.3	15,824,356	15,824,356
		4,550,351,722	5,511,514,237
28.1	This includes an amount of Rs. 36.28 (2019: 44.29) million which is under litigation.		
28.2	Due to other insurers / reinsurers		
Due to other insurers		905,301,640	414,455,590
Due to other reinsurers		3,629,225,726	5,081,234,291
		4,534,527,366	5,495,689,881

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	Note	2020	2019
		----- (Rupees) -----	
28.3	Premium and claim reserves retained from retrocessionaires		
	Premium reserves	(2,851,182)	(2,851,182)
	Losses reserves	17,033,417	17,033,417
	Cash losses received from retrocessionaires	1,642,121	1,642,121
	28.3.1	15,824,356	15,824,356
28.3.1	This represents the Company's retention of deposits withheld against the total amount retroceded to other companies.		
29	LEASE LIABILITIES		
	Current portion	5,827,833	2,924,871
	Non-current portion	20,951,022	21,362,651
		26,778,855	24,287,522
29.1	The Company has entered into lease arrangement with Karachi Port Trust (KPT) for lease of land. Minimum lease payments, which are payable till the expiry of lease agreement, have been discounted by using 6 months KIBOR prevailing at the initial application date i.e. 13.44%.		
29.2	The amount of future payments under the finance lease arrangements and the year in which these payments will become due are as follows:		
29.3	Statement of profit or loss shows the following amounts relating to lease:		
	- Depreciation charge on right-of-use asset	1,756,953	1,756,953
	- Interest expense	2,491,333	1,466,709
		4,248,286	3,223,662
	Not later than one year	5,416,204	2,655,002
	Later than one year but not later than five years	42,792,656	45,553,858
	Total future minimum lease payments	48,208,860	48,208,860
	Finance charge allocated to future years	(21,430,005)	(23,921,338)
	Present value of future minimum lease payments	26,778,855	24,287,522
	Not later than one year	(5,827,833)	(2,924,871)
	Later than one year but not later than five years	(7,830,290)	(8,316,007)
	Later than five years	13,120,732	13,046,644
30	UNCLAIMED DIVIDENDS		
	Balance at beginning of the year	107,273,466	151,373,107
	Add: dividend announced during the year	600,000,000	600,000,000
	Less: payments during the year	(552,065,337)	(644,099,641)
	Balance at end of the year	155,208,129	107,273,466

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		2020	2019
	Note	----- (Rupees) -----	
31	OTHERS CREDITORS AND ACCRUALS		
	Creditors and accruals	10,425,822	8,064,458
	Rent payable	31.1 31,693,297	29,950,225
	Security deposits	31.2 26,443,709	26,974,889
	Accrued expenses	18,426,940	12,139,034
	Surplus profit payable	31.3 1,212,602	1,212,602
		88,202,370	78,341,208

31.1 The Company has dispute in respect of the unilateral increase in rentals of its lease hold land by Karachi Port Trust (KPT) being exorbitant and unreasonable, a view supported by the Company's legal advisor. The amount not acknowledged in this regard, however, the Company has recorded provision in this regard as at December 31, 2020 amounting to Rs. 31.693 million (2019: Rs. 29.950 million).

Currently, a stay is operating in favour of the Company and the matter is pending before the Honourable High Court of Sindh, for the issue and hearing of application. The matter is currently being contested by both parties and there has been no negotiation to settle the matter out of the Court. Most likely outcome of the case, may be in accordance with the market rate in the vicinity. The case is pending in the Honourable High Court of Sindh and a hearing has been fixed on April 09, 2021 and the matter is still pending.

31.2 This includes security deposits amounting to Rs. 20.607 million (2019: Rs. 20.188 million) received from tenants in connection with letting of PRC Towers and earnest money deposits for the purpose of securing tenders of suppliers and contractors.

31.3 This represents the amount set aside for the shareholders in accordance with the requirements of Pakistan Insurance Corporation Act, 1952 (repealed).

32 TOTAL LIABILITIES FROM WINDOW RETAKAFUL OPERATIONS - OPERATOR'S RETAKAFUL FUND

	2020	2019
	----- (Rupees) -----	
Liabilities:		
Unearned wakala fee	54,941,261	44,204,562
Taxation- provision less payment	8,960,899	3,326,472
Deferred taxation	69,101	78,693
Other creditors and accruals	866,500	2,247,425
Payable to related party	4,589,893	-
Total liabilities	69,427,654	49,857,152

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		<u>2020</u>	<u>2019</u>
	Note	----- (Rupees) -----	
33	CONTINGENCIES AND COMMITMENTS		
33.1	Contingencies		
	The Company is contingently liable for:		
	Sindh Sales Tax	33.2 13,199,516,538	11,003,002,576
	Federal Excise Duty	33.3 4,073,379,063	4,073,379,063
	Income Tax	33.4 1,728,665,305	1,728,665,305
	Insurance payables	33.5 65,149,495	57,135,015
	EOBI	33.6 455,900	243,100
		<u>19,067,166,301</u>	<u>16,862,425,059</u>

33.2 Sindh Sales Tax

The Company received a notice from Sindh Revenue Board (SRB) relating to non-filing of Sales Tax return on services provided by PRCL to Insurance Companies. The Company contested the notice, however, the decision was made against the Company giving rise to sales tax liability amounting to Rs. 3,242 million and tax penalty of Rs. 880 million for financial year 2011 and 2012. The Company filed an appeal with Commissioner of Appeals, Sindh Revenue Board, however, it was rejected. The Company again filed an appeal with the Appellate Tribunal where the decision was made against the Company vide order number AT-02/2013/109/2013 dated February 03, 2016. As a result, the Company filed reference in the Honourable High Court of Sindh against the orders of Appellant Tribunal.

In the aforementioned tribunal orders, the SRB was directed to reconcile and separate the sales tax liability on reinsurance premium generated within the province of Sindh and rest of Pakistan.

Subsequently, the Company received two orders in pursuance of Appellate Tribunal (SRB) Order against Appeal No. AT-02/2013 and AT-109/2015 dated May 23, 2016 from Sindh Revenue Board (SRB) demanding the amount of sales tax liability on re-insurance services provided / rendered by the Company in Sindh from the period from July 2011 to November 2011 and for the period from December 2011 to December 2012 which were worked out and calculated by SRB amounting to Rs. 372.2 million and Rs. 1,118.1 million respectively. The Company has filed reference in the Honourable High Court of Sindh, dated April 18, 2016 against the Orders of Appellant Tribunal.

Further, the Company has also received a notice from Sindh Revenue Board (SRB) for the period from January 2013 to December 2013. The Company contested the notice; however, the order was passed against the Company giving rise to sales tax liability amounting to Rs. 1,385 million and tax penalty amounting to Rs. 424 million. The Company filed an appeal against the order with Commissioner of Appeals, Sindh Revenue Board which was decided against the Company. The Company being aggrieved by the said order has filed an appeal before Appellant Tribunal-SRB which has been heard and order is awaited. Stay of tax demand has been obtained in this regard which was valid up to April 05, 2017.

During the year 2017, the Company has paid an amount of Rs. 2,131.464 million under protest against the principal amount of sales tax liability in respect of above notices issued by SRB for tax years 2011, 2012 and 2013.

The Company has also apprised Ministry of Commerce through letter dated April 14, 2017, on the matter of disputed sales tax demand raised by SRB. Ministry of Commerce through letter dated on May 03, 2017, directed to take action as per Board of Directors decision and also directed that the Company may keep contesting the case in High Court vigorously.

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After obtaining legal opinion and approval from Board of Directors and Ministry of Commerce, the Company wrote a letter dated May 17, 2017, to the Commission (SRB) that the Company is in agreement to make payment of the principal amount of the demand under protest subject to the condition that SRB will withdraw all notices issued u/s 66 of Sindh Sales Tax Act, 2011, to the clients and debtors of the Company for the attachment of payables to Company, SRB will not initiate any further proceedings in relation to the amount of default surcharge and penalty until the liability of tax on reinsurance services is finally decided by the Honourable High Court of Sindh and SRB will not initiate any further proceedings against the Company for the tax periods subsequent to these three tax periods and matter shall be decided after the decision of the Honourable High Court of Sindh.

During previous year, the SECP vide letter No. ID/PRDD/TAXATION/2020/15 dated March 13, 2020 highlighted taxation issues to SRB faced by the insurance industry in Pakistan. SECP highlighted that, insurance companies obtained reinsurance services to mitigate their risk by sharing it with other insurance/reinsurance companies, hence, forming part of the overall risk management function of insurance companies. The imposition of sales tax on reinsurance services through service charge mechanism, may lead to double taxation on the insurance business, in the context of foreign reinsurance.

Imposition of sales tax on the reinsurance services would increase the cost of doing business for insurance companies, which may reflect as an increase in the rates of insurance premiums, making insurance more costly for the policyholders. As lowering the cost of business is the primary agenda of the Government of Pakistan and as such, the imposition of sales tax on reinsurance services would be working at odds with measures taken by the Government of Pakistan for ease of doing business in Pakistan.

SRB vide letter SRB/TP/57/2016 dated April 26, 2020 advised the Company with the provisions of Sindh Sales Tax Act, 2011 by issuing tax invoices, e-filing of tax returns and e-depositing the SST invoice.

The aggregate amount of Rs. 2,573.889 million paid has been recorded as "receivable from SRB" in the financial statements. Moreover, the Company has not recorded provision against the orders passed by SRB in pursuance of Appellate Order dated February 01, 2016 in Appeal No. AT-02/2013 and order dated February 03, 2016 in Appeal No. AT-109/2015.

Further, if the matter is decided against the Company, the charge to accumulated profits would amount to Rs. 14,042.042 million (approximately) pertaining to the years 2011 to 2020 excluding any additional penalty or default surcharge. The pending legal proceeding may result in claims that the Company is unlikely to be able to satisfy. Further, in that case, the overall equity may erode and turn into negative and the Company would also face liquidity crunch and be unable to meet its solvency requirements in addition to "going concern assumption" basis of accounting.

Based on the legal opinion of the Company's legal advisor, management is confident that strong grounds exist to contest the case and that the eventual resolution of the matter would be in favour of the Company. Accordingly, no provision for sales tax liability for the years 2011 to 2020 has been recorded in these financial statements.

33.3 Federal Excise Duty

S. no.	Year	Amount in Rupees	Status of the case
1	2012	161,753,030	Federal Board of Revenue (FBR) has issued show-cause notices dated November 22, 2017, whereby the Company is required to explain as to why Federal Excise Duty (FED) on aggregate reinsurance premium revenue has not been paid in respect of tax periods from October 2012 to September 2017. The Company has submitted its reply against show-cause challenging levy of FED on various legal grounds. Further, the Company also filed Constitutional Petition against show cause notices in the Honourable High Court of Sindh and the Honourable High Court of Sindh vide order dated January 29, 2019 has suspended the proceedings initiated through the above show-cause notice.
2	2013	755,903,899	
3	2014	765,427,619	
4	2015	835,030,670	
5	2016	928,295,664	
6	2017	626,968,181	
		4,073,379,063	

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This case is pending for finalization before the Honourable High Court of Sindh. The Company is confident that outcome of the case will be in favour of Company in light of the 18th amendment in the Constitution of Pakistan.

33.4 Income Tax

The status of orders passed under section 122 of the Income Tax Ordinance, 2001 is as follows:

S. no.	Tax year	Tax Demand (Rupees)	Status of the case
1	2010	20,748,022	CIRA has decided issues against Company which are pending in ATIR.
2	2011	97,770,680	Tax liability of Rs. 97,770,680 is arising due to unavailability of brought forward loss relating to TY 2010 due to assessment order passed for the aforesaid tax year.
3	2012	127,326,208	Tax liability of Rs. 127,326,208 is arising due to unavailability of loss of Rs. 212,481,202 relating to Tax Year 2010 and tax refund of Rs. 52,957,787 relating to Tax Year 2011, due to assessment orders passed for these tax years.
4	2013	9,342,660	Appeal effect order with regard to CIRA & ATIR orders are pending. Tax liability of Rs. 42,040,463 is arising due to unavailability of tax refunds of Rs. 1,025,968 and Rs. 41,014,495 relating to Tax Years 2010 and 2012 respectively, due to assessment orders passed for these tax years.
5	2014	412,724,772	<p>This pertains to the non deduction of tax on commission and charge id Workers' Welfare Fund.</p> <p>It was clarified to ACIR that reinsurance commission is reimbursement of expenses and is not in the nature of Commission. It was further informed to ACIR that the so called commission expense was not in the nature of commission in terms of section 233 of the Ordinance.</p> <p>ACIR is of the view that since the Company, in terms of section 233 of the Ordinance, was under obligation to deduct tax on Commission paid and deposit the same, the Company failed to deduct/deposit tax, the default on its payments stands established. Hence, the action taken by disallowing the said expenses under section 21(c) of the Ordinance is found well within the purview of law and calls for no question.</p> <p>Further, the Company contests against the charge of Worker Welfare Fund of Rs. 29,681,681. The Company contested that as the Company was established by the Government, hence, excluded from the definition of Industrial Establishment of the Worker Welfare Fund Ordinance, 1971.</p> <p>These matters are pending in ATIR.</p>
6	2015	772,134	This pertains to the disallowance of exchange loss of Rs. 50,578,845 on the ground that it was notional in nature and a provision without considering that the loss is allowable as per provisions of the Ordinance. The Company is contesting the gross loss has been incurred due to following of the mercantile system therefore it is to be allowed and the Company's has relied on the judgement of the Tribunal reported as 2011 PTD 352 and unreported judgement in ITA no. 133 KB 2011.
7	2016	223,912,913	Loss on re-measurement of defined benefit obligations of Rs. 675,584,000 and Provision for compensated absences of Rs. 60,868,000 was disallowed. The Company contends that loss is computed by a qualified actuary and is a determined liability. The above disallowance is found well by the ADCIR. The issue is pending in ATIR, however same issue have been decided in Company's favour in tax year 2015. Appeal effect given vide order dated April 6, 2017. Full bench had been formed due to a conflicting decision of Hon. Tribunal in respect of issue of Commission, however, hearing of main appeal had not been fixed yet.

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S. no.	Tax year	Tax Demand (Rupees)	Status of the case
8	2018	353,612,146	This pertains to the non deduction of tax on commission and the commission expense has been disallowed. It was clarified to ACIR that reinsurance commission is reimbursement of expenses and is not in the nature of Commission as also clarified by SECP. It was further informed to ACIR that the so called commission expense was not in the nature of commission in terms of section 233 of the Ordinance. It was further informed to ACIR that the issue is already decided by Tribunal in Company's favour in respect of Tax years 2008, 2009, 2011 and 2012, which were required to be followed as per section 124A of the Ordinance. ACIR does not agree with Company's view and disallowed Commission expense on the ground that the tax was not withheld on the amount by relying on the decision of Tribunal in the Company's own case in respect of Tax year 2014/15. The Company has filed an appeal before CIRA and the matter is still pending.
		<u>1,246,209,535</u>	

The status of orders passed under section 161 of the Income Tax Ordinance, 2001 is as follows:

S. no.	Tax year	Tax Demand (Rupees)	Status of the case
1	2014	260,214,169	Company received various notices in respect of non deduction of with holding tax on commission paid to ceding companies. CIRA has decided issue of Commission expense against Company and appeal is pending in ATIR. Full bench had been formed due to a conflicting decision of Hon. Tribunal in respect of issue of Commission, however, hearing of main appeal had not been fixed yet.
2	2015	39,541,845	
3	2016	182,699,756	
		<u>482,455,770</u>	

Grand total 1,728,665,305

The above matters are pending before various forums. On the basis of the opinion of tax advisor, the Company is confident that the eventual outcome will be in favour of the Company.

33.5 Insurance payables

The ceding companies have filed various suits amounting to Rs. 65,149,495 (2019: Rs. 57,135,015) against the Company for recovery of claims. Based on the legal opinion of the Company's legal advisor, management is confident that strong grounds exist to contest the cases and that the eventual resolution of the matter would be in favour of the Company. Accordingly, no provision has been recorded in the financial statements relating to these claims.

33.6 Employee Old Age Benefit Institution

The Company has received a notice from the Regional Director of Employee Old Age Benefit Institution (EOBI) vide letter dated October 31, 2009 that Pakistan Reinsurance Company Limited is required to be registered with EOBI. The Company is of the view that since it is a statutory body corporate under the management and control of Ministry of Commerce, Government of Pakistan and have its own pensioner rules and limitation and therefore provisions of EOBI Act, 1976 are not applicable. A suit was filed with the Honourable Civil Court in 2011 where the judgment was passed against the Company.

Further, the Company filed an appeal in the Honourable High Court of Sindh against the Civil Court judgment and there has been no further proceeding in the court but the management expects a favourable outcome. On the basis of meeting held with EOBI officials, the Company is considering registration of its contractual employees with EOBI which is pending approval from Ministry of Commerce. Further, it has been agreed that advice from Ministry of Law and Justice may be sought on the issue of registration of permanent employees who are already covered under Company's own pension scheme. The financial impact pertaining to

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contractual employees along with penalty, if any, amounts to Rs. 455,900 (Rs. 243,100) and the impact of permanent employees to the financial statements is currently not ascertainable. Therefore, no provision has been made in these financial statements.

		<u>2020</u>	<u>2019</u>
	Note	----- (Rupees) -----	
33.7 Commitments			
Commitments in respect of:			
- Short term lease rentals (0 to 1 year)		514,642	467,856
- Capital expenditure (intangible assets)		25,422,503	30,507,003
		25,937,145	30,974,859
34 NET INSURANCE PREMIUM			
Gross premium written		16,896,261,248	17,655,481,698
Add: unearned premium reserve opening		8,451,658,849	4,990,287,940
Less: unearned premium reserve closing	24	(6,513,672,434)	(8,451,658,849)
Premiums earned		18,834,247,663	14,194,110,789
Less: reinsurance premium ceded		10,816,070,850	10,270,023,569
Add: prepaid reinsurance premium opening		5,453,474,265	2,472,406,314
Less: prepaid reinsurance premium closing	18	(4,144,132,224)	(5,453,474,265)
Reinsurance expense		12,125,412,891	7,288,955,618
		6,708,834,772	6,905,155,171
35 NET INSURANCE CLAIMS			
Claims paid		8,924,707,349	6,154,840,384
Add: outstanding claims including IBNR closing	23	10,480,686,890	8,016,598,909
Less: outstanding claims including IBNR opening		(8,016,598,909)	(4,289,071,864)
Claims expense		11,388,795,330	9,882,367,429
Less: reinsurance and other recoveries received		5,794,763,344	2,563,907,944
Add: reinsurance and other recoveries in respect of outstanding claims closing	15	5,603,808,031	3,934,364,721
Less: reinsurance and other recoveries in respect of outstanding claims opening		(3,934,364,721)	(874,771,237)
Reinsurance and other recoveries revenue		7,464,206,654	5,623,501,428
		3,924,588,676	4,258,866,001
35.1 Claim development			

The Company maintains adequate reserves in respect of its reinsurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year. The following table shows the development of the claims over a period of time. All amounts are presented in gross numbers before reinsurance.

Accident year	2016	2017	2018	2019	2020 (Including IBNR)	Total
Estimate of ultimate claims cost						
- At the end of accident year	8,013,084,111	3,418,317,506	3,245,539,056	4,417,488,509	4,190,866,862	N/A
- One year later	9,637,566,718	3,244,535,710	5,680,636,705	12,001,054,156	-	N/A
- Two years later	9,022,748,267	3,239,887,482	7,051,425,002	-	-	N/A
- Three years later	12,170,539,074	3,314,305,206	-	-	-	N/A
- Four years later	10,334,743,873	-	-	-	-	N/A
Current estimate of cumulative claims	10,334,743,873	3,314,305,206	7,051,425,002	12,001,054,156	4,190,866,862	36,892,395,099
Cumulative payments to date Liability recognised in the statement	8,712,038,528	2,865,651,214	5,122,565,729	8,396,216,241	1,320,188,497	26,416,660,209
of financial position	1,622,705,346	448,653,992	1,928,859,273	3,604,837,915	2,870,678,364	10,475,734,890

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	Note	2020	2019
		----- (Rupees) -----	
36 NET COMMISSION AND OTHER ACQUISITION COSTS			
Commission paid or payable		1,688,588,859	2,008,093,531
Add: deferred commission expense opening		918,544,431	565,597,974
Less: deferred commission expense closing	16	(708,870,616)	(918,544,431)
Net commission		1,898,262,674	1,655,147,074
Less: commission received or recoverable		859,579,639	789,301,418
Add: unearned reinsurance commission opening		452,020,316	74,957,159
Less: unearned reinsurance commission closing	25	(338,532,613)	(452,020,316)
Commission from reinsurers		973,067,342	412,238,261
		925,195,332	1,242,908,813
37 MANAGEMENT EXPENSES			
Employee benefit cost	37.1	626,564,231	696,873,780
Medical		16,852,334	24,097,947
Utilities		7,103,190	20,938,640
Repairs and maintenance		16,793,279	17,702,232
Directors' meeting expenses	46	5,082,068	13,492,381
Depreciation	37.2	7,671,722	8,299,025
Advertisement and business promotion		3,361,770	6,782,661
Travelling and conveyance		2,447,160	6,081,200
Insurance		4,465,925	4,391,989
Computer related expenses		4,627,120	4,109,911
Rent, rates and taxes		3,865,440	3,596,081
Consultancy and professional charges		2,051,650	2,714,450
Printing and stationary		2,091,090	2,479,364
Entertainment		367,571	1,859,639
Communication		1,178,332	1,749,133
Newspaper and periodicals		20,508	1,473,566
Repairs and renewal		531,291	762,571
Training and research		112,220	661,500
Shares transaction costs		242,607	36,063
Others		805,396	4,618,076
		706,234,904	822,720,209
Expenses allocated to investment income	38	(15,371,727)	(19,282,017)
Expenses allocated to rental income	39	(24,085,220)	(28,493,330)
		666,777,957	774,944,862

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	Note	2020	2019
		----- (Rupees) -----	
37.1 Employee benefit cost			
Salaries, wages and benefits		439,767,231	478,724,780
Post employees benefits			
- Officers' pension		82,858,000	103,263,000
- Employees' pension		42,191,000	39,321,000
- Post retirement medical benefits		72,417,000	61,424,000
- Gratuity fund		2,780,000	3,257,000
- Compensated absences		(13,449,000)	10,883,000
	26.1.3	186,797,000	218,149,000
		626,564,231	696,873,780
37.2 Depreciation			
Property and equipment (excluding right-of-use assets)		5,914,770	6,542,072
Right-of-use assets		1,756,953	1,756,953
	7.1	7,671,723	8,299,025
38 INVESTMENT INCOME - NET			
Income from equity securities			
Available for sale			
Dividend income		126,725,139	159,376,834
Held for trading			
Dividend income		5,226,750	3,872,750
		131,951,889	163,249,584
Income from debt securities			
Held to maturity			
Return on debt securities			
Pakistan Investment Bonds - fixed		209,278,329	223,395,821
Pakistan Investment Bonds - floating		21,022,895	-
Treasury Bills		477,150,910	265,800,437
Profit on Term Finance Certificates		11,349,116	13,009,646
Amortization of Pakistan Investment Bonds		26,679,246	5,295,360
		745,480,496	507,501,264
Available for sale			
Profit on Pakistan Investment Bonds		75,758,242	26,892,829
Net realized gains on investments			
Available for sale financial assets			
Realized gain on equity securities		39,160,452	178,731,505
Net unrealized (losses) / gains on investments			
Held for trading investments		(6,683,101)	11,287,623
Total investment income		985,667,978	887,662,805
Add: reversal of impairment in value of available for sale investment		73,083,340	-
Less: investment related expenses	37	(15,371,727)	(19,282,017)
Net investment income		1,043,379,592	868,380,788

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		2020	2019
	Note	----- (Rupees) -----	
39 RENTAL INCOME - NET			
Rental income earned	39.1	108,857,575	99,827,864
Less: expenses allocated to investment property	37	(24,085,220)	(28,493,330)
Less: depreciation on investment property	10	(1,352,922)	(1,434,407)
	39.2	(25,438,142)	(29,927,737)
		83,419,433	69,900,127
39.1	The rental income represents income from letting out of PRC Tower.		
39.2	Direct expenses relating to investment property that did not generate rental income amounts to Rs. 10.6 millions.		
40 FINANCE COST			
	Note	2020	2019
		----- (Rupees) -----	
Finance cost - leases		2,491,333	1,466,709
Bank charges		259,152	272,791
		2,750,485	1,739,500
41 OTHER INCOME			
Return on bank deposits		65,357,659	139,928,181
Net return on loans to employees		8,920,952	8,392,503
Miscellaneous income		75,260	466,230
Return on premium deposits	41.1	-	269,779
Exchange gain		-	603,312,067
		74,353,871	752,368,760
41.1	This represents interest received by the Company in respect of premium deposits retained by the ceding companies.		
42 OTHER EXPENSES			
Legal fees		2,204,000	2,584,460
Auditor's remuneration	42.1	1,086,360	1,241,737
Fee and subscription		1,637,031	1,778,787
Subscription and membership fee		616,838	778,191
Employees Umrah contribution		-	5,015,000
Exchange loss		15,299,960	-
Provision against lease rental payable-KPT	31.1	1,743,072	3,015,370
		22,587,261	14,413,545
42.1 Auditor's remuneration			
Annual audit fee		432,000	658,627
Interim review		157,140	158,304
Out-of-pocket expenses		95,460	123,956
Other certification fee		401,760	300,850
		1,086,360	1,241,737

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	2020	2019
	----- (Rupees) -----	
43 PROFIT FROM WINDOW RETAKAFUL OPERATIONS - OPERATOR'S RETAKAFUL FUND		
Revenue account		
Wakala fee	128,122,229	53,496,589
Commission expense	(102,032,546)	(38,208,941)
General, administrative and management expenses	(6,947,553)	(4,243,734)
	19,142,130	11,043,914
Investment income	1,202,072	83,277
Profit on bank deposits	20,664,577	1,378,609
Modarib's share of Participant's Retakaful investment and other income	1,879,482	509,507
	23,746,131	1,971,393
Profit before taxation	42,888,261	13,015,307
Taxation	(12,437,596)	(3,774,439)
Profit after taxation	30,450,665	9,240,868
44 INCOME TAX EXPENSE		
Current tax expense	667,644,580	651,137,726
Prior year expense / (income)	94,836,432	(721,364)
	762,481,012	650,416,362
Deferred tax (income) / expense	(181,934,687)	54,550,485
	580,546,325	704,966,847
44.1 Relationship between tax expense and accounting profit		
Profit before tax	1,971,985,556	2,189,249,380
Tax at the applicable rate of 29% (2019: 29%)	571,875,811	634,882,320
Tax effect of income that are deductible in determining the taxable profit	(86,165,918)	70,805,891
Prior year tax adjustment	94,836,432	(721,364)
Charge for the year	580,546,325	704,966,847
44.2 Relationship between average effective tax rate and the applicable tax rate		
Applicable tax rate	29.00%	29.00%
Tax effects of amounts that are:		
- Effective prior year adjustment	4.81%	(0.03%)
- Deductible temporary difference	(4.28%)	2.69%
- Permanent differences	-	4.03%
- Taxable temporary difference	(0.09%)	(3.50%)
	29.44%	32.20%

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45 EARNINGS PER SHARE - basic and diluted

Basic earning per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding as at the year end as follows:

	2020	2019
Profit after tax (Rupees)	<u>1,391,439,231</u>	<u>1,484,282,533</u>
Weighted average number of ordinary shares (number of shares)	<u>300,000,000</u>	<u>300,000,000</u>
Earnings per share (Rupees)	<u>4.64</u>	<u>4.95</u>

45.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

46 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2020	2019	2020	2019	2020	2019
	----- Rupees in '000-----					
Meeting fees	-	-	3,153	7,200	-	-
Managerial remuneration	-	711	-	-	25,066	37,303
Leave encashment	-	146	-	-	2,419	2,483
Bonus	-	1,850	-	-	5,760	9,845
Charge for defined benefit plan	-	-	-	-	202,407	218,147
Rent and house maintenance	-	604	-	-	21,307	15,129
Utilities	-	164	-	-	5,765	4,256
Dearness allowance	-	-	-	-	3,760	2,670
Conveyance / car monetization	-	1,297	-	-	2,781	2,807
Adhoc relief (2016, 2017 and 2018)	-	204	-	-	-	-
Qualification pay	-	19	-	-	-	-
Deputation allowance	-	78	-	-	-	-
Order allowance	-	91	-	-	-	-
Education allowance	-	75	-	-	-	1,183
Others	-	306	1,929	-	11,828	9,129
	-	5,545	5,082	7,200	281,093	302,952
Number of person(s)	1	1	4	7	17	19

46.1 Executive means any employee who satisfies the definition / criteria as mentioned in the Insurance Regulations, 2017.

46.2 Non Executive Directors are entitled to meeting fee for attending each board and committee meeting amounting to Rs. 50,000 and other benefits comprising of accommodation, air travel allowance and conveyance allowance as recommended by Board on its 133rd meeting held on October 30, 2018 in accordance with the articles of association of the Company.

46.3 Provision in respect of compensated absences is also made and charged in accounts as per the requirements of International Financial Reporting Standards.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
47 EMPLOYEES		
Number of employees at the year end		
Permanent	157	169
Contractual	<u>27</u>	<u>28</u>
	<u><u>184</u></u>	<u><u>197</u></u>
Average number of employees during the year		
Permanent	159	170
Contractual	<u>27</u>	<u>23</u>
	<u><u>186</u></u>	<u><u>193</u></u>

48 IMPLICATIONS OF REVISED IFRS 2 - SHARE-BASED PAYMENT ON BENAZIR EMPLOYEES' STOCK OPTION SCHEME (BESOS)

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and Non-State Owned Enterprises, where GoP holds significant investments (Non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities including the Company on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP has transferred 12% of its investment in such SOEs and Non-SOEs to a Trust Fund, established under a Trust Deed, created for the purpose by each of such entities. The eligible employees are entitled to be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination, such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units, as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund, managed by the Privatisation Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises, needs to be accounted for by the covered entities, including the Company, under the provisions of amended International Financial Reporting Standard-2, "Share-based Payments" (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP, on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption vide SRO 587(I)/2011 dated June 07, 2011 to such entities including the Corporation from the application of IFRS 2 to the Scheme.

Had the exemption not been granted, Staff costs of the Company for the year would have been higher by Rs. 42.235 million, profit before taxation would have been lower by Rs. 42.235 million, earnings per share would have been lower by Rs. 0.14, reserves for the year would have been higher by Rs. 42.235 million.

PAKISTAN REINSURANCE COMPANY LIMITED

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FOR THE YEAR ENDED DECEMBER 31, 2020

49 RELATED PARTIES TRANSACTIONS AND BALANCES

Government of Pakistan through Ministry of Commerce and PRCL Employee Empowerment Trust owns 51% (2019: 51%) shares of the Company. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. The related parties comprise major shareholders, associated company, directors, companies with common directorship, key management personnel, and staff retirement benefit funds. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan which are not material and hence not disclosed in these financial statements. Moreover, transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in note 46 of these financial statements, are as follows:

	Note	2020	2019
----- (Rupees) -----			
Major shareholders			
Government of Pakistan (GoP) through Ministry of Commerce			
Dividend paid for the preceding year		<u>269,279,570</u>	<u>269,279,570</u>
State Life Insurance Corporation of Pakistan			
Dividend paid for the preceding year		<u>146,464,402</u>	<u>146,464,402</u>
Related parties by virtue of GoP's holdings			
State Bank of Pakistan			
Purchase of investment		<u>4,816,113,686</u>	10,792,274,775
Dividend received during the year		<u>49,000</u>	49,000
		<u>4,816,162,686</u>	<u>10,792,323,775</u>
Pakistan State Oil Company Limited			
Dividend received during the year		-	117,020
National Investment Trust Limited			
Dividend received during the year		<u>54,440,000</u>	<u>47,520,000</u>
National Insurance Company Limited			
Premium due but unpaid		<u>3,759,664,068</u>	2,277,212,868
Insurance premium written during the year	50.3	<u>10,349,519,469</u>	10,202,776,563
Premium received		<u>(10,781,962,844)</u>	(7,107,779,053)
Balance at the end of year		<u>3,327,220,693</u>	5,372,210,378
Insurance commission paid		<u>503,887,904</u>	<u>501,442,551</u>
Insurance claims paid		<u>5,752,392,468</u>	<u>2,850,465,603</u>
Other related parties			
Remuneration including benefits and perquisites of key management personnel	46	<u>286,174,873</u>	<u>97,550,000</u>

The transactions with related parties are in the normal course of business at contracted rates and terms and conditions determined on commercial terms.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

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SEGMENT INFORMATION

2020	Rupees						Non-proportional Treaty		Total
	Fire	Marine cargo	Marine hull	Accident	Aviation	Engineering	Proportional Treaty		
Gross written premium	1,953,721,119	28,798,776	378,134,874	224,945,144	349,980,983	9,677,049,447	3,433,500,158	850,130,737	16,896,261,248
Unearned-Opening	563,735,480	6,552,853	118,792,816	56,340,140	2,980,344,985	2,670,711,570	1,770,946,989	284,234,046	8,451,658,849
Unearned-Closing	586,711,447	7,963,063	93,166,700	44,987,784	236,576,190	3,618,269,871	1,506,408,842	439,588,537	6,513,672,434
Premium earned	1,950,745,152	27,388,566	403,760,990	236,297,500	3,093,749,758	8,729,491,146	3,698,038,305	694,776,246	18,834,247,663
Reinsurance-Ceded	531,043,903	-	218,766,590	5,934,200	402,510,782	8,975,896,982	546,584,654	135,333,739	10,816,070,850
Prepaid reinsurance-Opening	20,949,844	-	79,508,541	3,272,048	2,501,613,136	2,453,680,257	339,897,462	54,552,977	5,453,474,265
Prepaid reinsurance-Closing	17,885,008	-	54,446,935	2,938,875	188,543,304	3,465,398,241	336,674,207	98,245,654	4,144,132,224
Reinsurance expenses	534,108,739	-	243,828,196	6,267,373	2,735,580,614	7,964,178,998	549,807,909	91,641,062	12,125,412,891
Net insurance premium	1,416,636,413	27,388,566	159,932,794	230,030,127	368,169,144	765,312,148	3,148,230,396	603,135,164	6,708,834,772
Commission income	31,103,003	-	26,689,316	626,737	272,175,714	642,242,882	181,615	48,075	973,067,342
Net underwriting income (A)	1,447,739,416	27,388,566	186,622,110	230,656,864	630,344,858	1,407,555,030	3,148,412,011	603,183,259	7,681,902,114
Insurance claims paid	713,292,121	6,550,628	9,402,089	18,109,393	5,755,592,882	197,189,116	2,066,175,183	158,395,937	8,924,707,349
Outstanding-Opening	1,317,826,301	105,809,839	62,691,477	305,059,745	1,413,414,449	2,622,625,776	2,030,645,587	158,525,735	8,016,598,909
Outstanding-Closing	1,765,854,730	140,719,544	81,818,633	327,965,630	4,220,242,139	1,108,830,004	2,416,886,917	418,569,293	10,480,686,890
Insurance claims expenses	1,161,320,550	41,460,333	25,529,245	41,015,278	8,582,420,572	(1,316,606,656)	2,452,216,513	418,439,495	11,388,795,330
Reinsurance recoveries received	-	-	-	-	5,595,901,109	280,166	184,442,448	14,139,621	5,794,763,344
Recovery-Opening	206,495,743	39,267,000	23,402,252	612,403	1,242,590,061	2,254,192,711	155,653,223	12,151,328	3,994,364,721
Recovery-Closing	245,413,842	66,733,022	29,989,753	-	3,974,870,199	845,050,591	376,534,914	65,215,710	5,603,808,031
Insurance claims recovered from reinsurers	38,918,089	27,466,022	6,587,501	(612,403)	8,328,181,247	(1,408,861,954)	405,324,139	67,204,003	7,464,206,654
Net claims	1,122,402,451	13,994,311	21,941,744	41,627,681	234,239,325	92,255,298	2,046,892,374	351,235,492	3,924,588,676
Commission expense	228,368,448	2,658,360	29,695,666	21,664,940	187,362,947	439,366,234	1,004,441,685	4,704,394	1,898,262,674
Management expense	140,796,720	2,722,096	15,895,407	22,862,244	35,597,730	76,062,876	312,896,457	59,944,425	666,777,957
Provision for doubtful debts	90,070,873	1,741,387	10,168,655	14,625,499	22,772,680	48,659,157	200,167,000	38,347,816	426,553,066
Net insurance claims and expenses (B)	(1,581,638,492)	(21,116,154)	(77,701,472)	(100,780,364)	(459,972,682)	(656,343,565)	(3,564,397,516)	(454,232,127)	(6,916,182,373)
Underwriting results (C=A-B)	(133,899,076)	6,272,412	108,920,638	129,876,500	170,372,176	751,211,465	(415,985,505)	148,951,132	765,719,741
Net investment income									1,043,379,592
Finance cost									(2,750,485)
Rental income									83,419,433
Other expenses									(22,587,261)
Other income									74,353,871
Profit before tax									1,941,534,891
Segment assets	1,447,739,416	27,388,566	186,622,110	230,656,864	630,344,858	1,407,555,030	3,148,412,011	603,183,259	7,681,902,114
Unallocated assets									27,673,745,299
									35,355,647,413
Segment liabilities	(1,581,638,492)	(21,116,154)	(77,701,472)	(100,780,364)	(459,972,682)	(656,343,565)	(3,564,397,516)	(454,232,127)	(6,461,950,246)
Unallocated liabilities									14,588,052,710
									8,126,102,464

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2019	Rupees							Total	
	Fire	Marine cargo	Marine hull	Accident	Aviation	Engineering	Proportional Treaty		Non-proportional Treaty
Gross written premium	1,898,855,274	42,384,553	495,021,497	262,630,575	3,430,859,479	6,651,361,331	4,180,495,390	693,873,599	17,655,481,698
Add: Unearned-Opening	515,086,813	10,212,944	19,682,975	63,414,119	1,561,443,915	910,670,399	1,566,878,326	342,898,449	4,990,287,940
Less: Unearned-Closing	563,735,480	6,552,853	118,792,816	56,340,149	2,980,344,955	2,670,711,570	1,770,946,989	284,234,046	8,451,658,849
Premium earned	1,850,206,607	46,044,644	395,911,656	269,704,554	2,011,958,439	4,891,320,160	3,976,426,727	752,338,002	14,194,110,789
Reinsurance ceded	493,367,620	-	305,286,006	6,502,075	2,824,778,783	5,880,997,797	643,263,230	106,768,058	10,270,023,569
Add: Prepaid reinsurance-Opening	20,689,140	-	8,245,057	2,834,005	1,363,388,470	736,785,938	279,333,797	61,129,907	2,472,406,314
Less: Prepaid reinsurance-Closing	20,949,844	-	79,508,541	3,272,048	2,501,613,136	2,433,680,257	339,897,462	54,552,977	5,453,474,265
Reinsurance expenses	493,106,916	-	234,022,522	6,124,032	1,686,554,117	4,173,103,478	582,699,566	113,344,987	7,288,955,618
Net insurance premium	1,357,099,691	46,044,644	161,889,134	263,580,522	323,404,322	718,216,682	3,393,727,161	639,193,015	6,905,153,171
Add: Commission income	26,925,708	-	29,261,993	612,403	17,267,451	334,042,486	3,543,210	585,010	412,238,261
Net underwriting income - A	1,384,025,399	46,044,644	191,151,127	264,192,925	342,671,773	1,052,259,168	3,397,270,371	639,778,025	7,317,393,432
Insurance claims paid	373,040,858	2,631,169	71,395,604	39,780,633	2,841,666,900	131,874,102	2,623,863,228	50,587,890	6,154,840,384
Less: Outstanding-Opening	1,239,691,600	71,695,793	122,226,552	207,521,776	179,605,059	330,843,457	1,865,275,798	272,211,829	4,289,071,864
Add: Outstanding-Closing	1,317,826,301	105,809,839	62,691,477	305,059,745	1,413,414,449	2,622,625,776	2,030,645,587	158,525,735	8,016,598,909
Insurance claims expenses	451,175,559	36,745,215	11,860,529	137,318,602	4,075,476,290	2,443,656,421	2,789,233,016	(63,098,203)	9,882,367,429
Reinsurance recoveries received	46,707,226	-	15,989,515	-	2,474,172,758	-	26,527,006	511,439	2,563,907,944
Less: recovery-Opening	388,223,063	18,693,025	43,266,176	-	96,177,837	133,235,349	170,319,897	24,855,890	874,771,237
Add: recovery-Closing	206,495,743	39,267,000	23,402,252	612,403	1,242,590,061	2,254,192,711	155,653,223	12,151,328	3,934,364,721
Insurance claims recovered from reinsurers	(135,020,094)	20,573,975	(3,874,409)	612,403	3,620,584,982	2,120,957,362	11,860,332	(12,193,123)	5,623,301,428
Net claims	586,195,653	16,171,240	15,734,938	136,706,199	454,891,308	322,699,059	2,777,372,684	(50,905,080)	4,258,866,001
Commission expense	225,009,317	5,228,908	30,912,013	21,808,901	11,162,570	287,320,669	1,065,952,315	7,752,382	1,655,147,074
Management expense	152,303,230	5,167,452	18,168,332	29,580,852	36,519,151	80,603,305	380,867,824	71,734,716	774,944,862
Provision for doubtful debts	24,158,704	819,674	2,881,904	4,692,186	5,792,755	12,785,490	60,414,168	11,378,733	122,923,613
Net insurance claims and expenses - B	987,666,903	(27,387,274)	(67,697,188)	(192,788,137)	(508,365,785)	(703,408,522)	(4,284,606,991)	(39,960,750)	(6,811,881,550)
Underwriting results C = A-B	396,358,496	18,657,370	123,453,939	71,404,788	(165,694,012)	348,850,645	(887,336,620)	599,817,274	505,511,881
Net investment income									868,380,788
Finance cost									(1,739,500)
Rental income									69,900,127
Other expenses									(14,413,545)
Other income									752,368,760
Profit before tax									2,180,008,511
Segment assets	1,384,025,399	46,044,644	191,151,127	264,192,925	342,671,773	1,052,259,168	3,397,270,371	639,778,025	7,317,393,432
Unallocated assets									28,129,848,504
Segment liabilities	(987,666,903)	(27,387,274)	(67,697,188)	(192,788,137)	(508,365,785)	(703,408,522)	(4,284,606,991)	(39,960,750)	(6,816,028,747)
Unallocated liabilities									32,744,063,702
									25,928,034,955

PAKISTAN REINSURANCE COMPANY LIMITED

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50.1 Geographical segment

Although the operations of the Company are based primarily on business segments, the Company also operates in geographical area. The following table shows the distribution of the Company's revenue, total assets and total liabilities by geographical segments:

Locations	2020		2019	
	Lahore	Karachi	Lahore	Karachi
	Rupees in thousands		Rupees in thousands	
Premium earned	1,176,839	17,657,409	1,113,944	13,080,167
Commission expense	294,295	630,900	261,932	980,977
Losses paid	462,141	10,926,654	358,964	9,523,403
Outstanding liabilities	1,010,172	9,465,563	608,029	7,403,618
Management expenses	2,804	663,974	2,767	772,178
Total assets	603	35,764,411	643	35,805,968

50.2 Management has allocated indirect management expenses to underwriting business on the basis of net premium revenue under individual business as per the stated accounting policy of the Company.

50.3 Information about major customer

The following table presents insurance premium written from transactions with external customer where such amounts equals and / or exceed ten per cent of the total premium written by the Company.

	2020	2019
	Rupees in thousands	
National Insurance Company Limited - (related party)		
Facultative business		
Accident	6,837,674	7,363,543
Aviation	320,951,660	3,289,846,677
Engineering	9,331,828,668	6,111,598,984
Fire	44,628,421	43,622,972
Marine hull	365,586,935	478,057,430
	10,069,833,358	9,930,489,606
Treaty business	279,686,111	272,286,957
	10,349,519,469	10,202,776,563

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PAKISTAN REINSURANCE COMPANY LIMITED

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FOR THE YEAR ENDED DECEMBER 31, 2020

51 MOVEMENT IN INVESTMENTS

	Held to maturity	Available for sale	Held for trading	Total
----- Rupees -----				
At beginning of previous year	4,470,399,038	4,078,359,051	84,938,345	8,633,696,435
Additions	12,310,329,538	560,902,684	-	12,871,232,222
Disposals / redemptions	(10,285,860,316)	(278,532,946)	-	(10,564,393,262)
Fair value net gains (excluding net realised gains)	-	(9,383,048)	11,287,623	1,904,575
At beginning of current year	6,494,868,260	4,351,345,741	96,225,968	10,942,439,970
Additions	2,154,966,841	-	85,164,497	2,240,131,338
Disposals / redemptions	(1,007,877,135)	(63,231,506)	-	(1,071,108,641)
Fair value net gains (excluding net realised gains)	-	(70,023,358)	(6,685,599)	(76,708,957)
At end of current year	7,641,957,966	4,218,090,877	174,704,866	12,034,753,710

52 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty in the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.

52.1 Insurance risk

The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic insured events. Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

a) Frequency and severity of claims

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

The Company's class wise major risk exposure is as follows:

	2020	2019
Gross sum insured		
Rupees in thousands		
Fire	24,037,190	3,432,750
Marine cargo	840,000	825,000
Marine hull	965,952	935,740
Accident and others	16,250,000	362,500
Aviation	-	23,250,000
Engineering	11,395,220	6,877,550
	53,488,362	35,683,540

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The reinsurance arrangements against major risk exposure include excess of loss, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions.

b) Source of uncertainty in estimation of future claim payments

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events that occur during the term of the insurance contract including the event reported after the expiry of the insurance contract term.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. The estimation of provision of claims incurred but not reported (IBNR) is based on analysis of the past claim reporting pattern and confirmation received from ceding companies.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated.

Key assumptions

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

The assumed net of reinsurance loss ratios for each class of business is as follows:

	2020	2019
	Assumed net loss ratio	
	Percentage	
Fire	71%	50%
Marine cargo	53%	36%
Marine hull	14%	7%
Accident and others	52%	74%
Aviation	65%	140%
Engineering	72%	63%

Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for insurance claims recognized in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact of claims paid on profit before tax net of reinsurance recoveries.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

	Profit before tax		Shareholders' equity	
	2020	2019	2020	2019
	----- Rupees in thousand -----		----- Rupees in thousand -----	
10% increase in expense	(392,459)	(425,887)	(278,646)	(302,379)
10% decrease in expense	392,459	425,887	278,646	302,379

52.2 Reinsurance and retrocession arrangements

The Company in the normal course of business, undertakes reinsurance business from local insurance companies and controls its exposure to potential losses from large risk, by retrocession to various foreign companies. Its significant portion of reinsurance and retrocession is effected under treaty pact and excess of loss contracts.

The Company further evaluates the financial condition of ceding companies as well as it reinsures to minimize its exposures to significant losses from reinsurance insolvencies.

The Company continues to remain under obligation of the ceding companies during the validity of the contract and as a result it remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under their agreements.

An analysis of gross amount due from other insurers and reinsurers recognized by the rating of the entity, from which it is due are as follows:

	2020	2019
	Rupees in thousands	
A or above	5,058,696	4,407,627
BBB	382	1,427
Others	3,502,428	6,007,621
Total	8,561,506	10,416,675

52.3 Financial risk management objectives and policies

The Company's activities expose to financial risks, credit risk, liquidity risk and market risk (including interest / mark-up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors (the Board) has overall responsibility to the establishment and oversight of Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

a) Credit risk and concentration of credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in the financial statements.

The management monitors and limits the company's exposure to credit risk through monitoring of client's exposure and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

The carrying amount of financial assets represents the maximum credit exposure as specified below:

		2020	2019
Rupees			
Bank balances		1,570,404,946	815,529,972
Loan and other receivables	13	2,879,142,000	2,865,239,725
Debt securities	12	8,271,505,868	7,076,694,763
Insurance / reinsurance receivables	14	8,141,085,867	9,775,513,552
Reinsurance recoveries against outstanding claims	15	5,603,808,031	3,934,364,721
		<u>26,465,946,712</u>	<u>24,467,342,733</u>

The Company did not hold any collateral against the above during the year. General provision is made for insurance / reinsurance receivables and other receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due.

The age analysis of insurance / reinsurance receivable is as follows:

	2020	2019
Rupees in thousands		
Up to three months	3,087,371	4,005,899
Over three months but up to one year	4,466,116	4,406,628
Over one year but up to two years	1,194,359	1,159,098
Over two years but up to three years	133,910	392,326
Over three years	383,134	452,724
	<u>9,264,890</u>	<u>10,416,675</u>
Provision against amount due from other insurers and reinsurers	(1,065,094)	(641,161)
	<u>8,199,796</u>	<u>9,775,514</u>

The credit quality of the Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating			2020	2019
	Short term	Long term	Rating agency	Rupees in thousand	
National Bank of Pakistan	A-1+	AAA	PACRA	86,540	65,731
Bank Al-Habib Limited	A-1+	AAA	JCR-VIS	1,462,151	696,642
United National Bank Limited		Not available		-	730
Bank Alfalah Limited	A-1+	AA+	PACRA	20,790	18,131
Sindh Bank Limited	A-1	A+	JCR-VIS	37	34,296
				<u>1,569,518</u>	<u>815,530</u>

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity.

The following are the contractual maturities of financial liabilities, including estimated interest payments on an undiscounted cash flow basis:

	Carrying amount	Contractual cash flows	Maturity in one year	Maturity exceeding one year
Rupees in thousand				
December 31, 2020				
Outstanding claims including IBNR	10,475,735	10,475,735	10,475,735	-
Insurance / reinsurance payables	4,550,352	4,550,352	4,550,352	-
Other creditors and accruals	88,202	88,202	88,202	-
Lease liabilities	26,779	26,779	5,828	20,951
	15,141,068	15,141,068	15,120,117	20,951
December 31, 2019				
Outstanding claims including IBNR	8,011,647	8,011,647	8,011,647	-
Insurance / reinsurance payables	5,511,514	5,511,514	5,511,514	-
Other creditors and accruals	78,341	78,341	78,341	-
Lease liabilities	24,288	24,288	(2,925)	27,212
	13,625,790	13,625,790	13,598,577	27,212

c) Market risk

Market risk is a risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company is exposed to market risk with respect to its investments. The Company has invested its funds in Government securities, ordinary shares, National Investment Trust Units and close ended mutual funds resulting in risk arising from fluctuation in the rate of interest and dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

The Company minimizes such risk by having a diversified investments portfolio. In addition, the Company actively monitors the key factors that affect investment market.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

Sensitivity analysis

The table below summarizes the Company's equity price risk as of December 31, 2020 and 2019 and shows the effects of a 10% increase and a 10% decrease in market prices as at the year end. The selected change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

	Fair value	Estimated fair value after change in price	Increase / (decrease) in shareholders equity	Profit before tax
Rupees in thousand				
December 31, 2020				
10% increase	3,763,248	4,139,573	267,191	376,325
10% decrease	-	3,386,923	(267,191)	(376,325)
December 31, 2019				
10% increase	3,865,745	4,252,320	274,468	386,575
10% decrease	-	3,479,171	(274,468)	(386,575)

d) Interest/ Mark-up rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. Interest / mark-up rate risk to the Company is the risk of changes in market interest / mark-up rates reducing the overall return on its interest bearing securities. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated. The following table provides information about the exposure of the Company to interest / mark-up rate risk at the balance sheet date based on contractual re-pricing or maturity dates which ever is earlier:

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

		2020						
Effective rate per annum (percentage)		Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments	Total	
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total			
Rupees in thousand								
Financial assets								
Cash and bank deposits	6.25 to 11.25	851,246	-	-	851,246	1,483,101	2,334,347	
Investments	5.90 to 12	5,664,135	2,316,768	290,603	8,271,506	3,763,248	12,034,754	
Insurance / reinsurance								
receivables		-	-	-	-	8,141,086	8,141,086	
Loans and other receivables		79,246	-	-	79,246	2,799,896	2,879,142	
Reinsurance recoveries against outstanding claims		-	-	-	-	5,603,808	5,603,808	
Subtotal		6,594,627	2,316,768	290,603	9,201,998	21,791,139	30,993,136	
Financial liabilities								
Outstanding claims including IBNR		-	-	-	-	10,475,735	10,475,735	
Insurance / reinsurance payables		-	-	-	-	4,550,352	4,550,352	
Lease liabilities		5,828	7,830	13,121	26,779	-	26,779	
Other creditors and accruals		-	-	-	-	243,410	243,410	
Subtotal		5,828	7,830	13,121	26,779	15,269,497	15,296,276	
Total		6,588,799	2,308,938	277,482	9,175,219	6,521,642	15,696,861	
Interest risk sensitivity gap		6,588,799	2,308,938	277,482	9,175,219			
Cumulative interest risk sensitivity gap		6,588,799	8,897,736	9,175,219				
		2019						
Effective rate per annum (percentage)		Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments	Total	
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total			
Rupees in thousand								
Financial assets								
Cash and bank deposits	8.25 to 11.25	750,059	-	-	750,059	65,471	815,530	
Investments	4.7 to 12	4,744,727	2,016,269	315,699	7,076,695	3,865,745	10,942,440	
Insurance / reinsurance								
receivables		-	-	-	-	352,171	352,171	
Loans and other receivables		-	-	-	-	2,773,842	2,773,842	
Reinsurance recoveries against outstanding claims		-	-	-	-	3,934,365	3,934,365	
Subtotal		5,494,786	2,016,269	315,699	7,826,754	10,991,594	18,818,348	
Financial liabilities								
Outstanding claims including IBNR		-	-	-	-	8,011,647	8,011,647	
Insurance / reinsurance payables		-	-	-	-	5,511,514	5,511,514	
Lease liabilities		2,416	8,316	13,555	24,288	-	24,288	
Other creditors and accruals		-	-	-	-	185,693	185,693	
Subtotal		2,416	8,316	13,555	24,288	13,708,854	13,733,142	
Total		5,492,370	2,007,953	302,144	7,802,466	(2,717,260)	5,085,206	
Interest risk sensitivity gap		5,492,370	2,007,953	302,144	7,802,466			
Cumulative interest risk sensitivity gap		5,492,370	7,500,323	7,802,466				

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments a change of 100 basis points in interest rates at the reporting date would have decreased /(increased) profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	2020		2019	
	Increase	Decrease	Increase	Decrease
	in profit / (loss) upon change of 100 bps		in profit / (loss) upon change of 100 bps	
Rupees in thousand ('000)				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	83,589	(83,589)	71,422	(71,422)

e) Foreign currency risk

Foreign currency risk is the risk that the value of financial instrument will fluctuate due to change in foreign exchange rates. The Company principal transactions are carried out in Pakistani Rupee and its exposure to foreign exchange risk arises primarily with respect to US Dollar and UK Pound. Financial assets exposed to foreign exchange risk amounted to Rs. 699.769 million (2019: Rs. 192.841 million) and Rs. Nil (2019: Rs. 0.730 million) respectively at reporting date.

The following significant exchange rates were applied during the year:

	2020	2019	2020	2019
	Rupees per US Dollars		Rupees per UK Pound	
Average rate	161.61	150.20	207.33	191.66
Report date rate	160.30	154.84	-	203.45

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

52.4 Capital risk management

Capital management objectives and requirements related to regulatory, solvency and paid up capital requirements are set and regulated by the Securities and Exchange Commission of Pakistan (SECP). These objectives and requirements are put in place to ensure sufficient solvency margins. Further, objective are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support business objectives, maximize shareholders value and provide returns for benefits for other stakeholders.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

Currently the Company has a paid up capital of Rs. 3,000 million against the minimum required paid-up capital of Rs. 500 million set by the SECP for the non-life insurance companies for the year ended December 31, 2020.

The Company monitors capital using gearing ratio. Net debt is calculated as total liabilities (as shown in statement of financial position) less cash and cash equivalents. Equity comprises all components of equity.

The Company's net debt to equity ratio as at December 31, 2020 was as follows:

	2020	2019
	Rupees in thousands	
Total liabilities	25,523,470	25,977,814
Less: cash and cash equivalents	(1,570,505)	(815,679)
Net debt (A)	23,952,965	25,162,135
Total equity (B)	10,241,544	9,828,798
Total debt and equity (C=A+B)	34,194,509	34,990,933
Gearing ratio (A/C)	70%	72%

53 IMPACT OF COVID-19 (CORONA VIRUS)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, the Government of the Sindh announced a temporary lock down as a measure to reduce the spread of the COVID-19. However, after implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Management believes that there is no significant accounting adverse impact of the effects of COVID-19 on the operations of the Company and on these financial statements.

54 FAIR VALUE OF FINANCIAL INSTRUMENTS

54.1 Carrying amount versus fair value

The following table compares the carrying amounts and fair values of the Company's financial assets and financial liabilities as at December 31, 2020.

The Company considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

PAKISTAN REINSURANCE COMPANY LIMITED

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FOR THE YEAR ENDED DECEMBER 31, 2020

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Investments				
Equity securities				
Held for trading				
Ordinary shares - listed	174,704,867	174,704,867	96,225,968	96,225,968
Available for sale				
Ordinary shares - listed	2,154,486,027	2,154,486,027	2,307,404,138	2,307,404,138
Mutual fund units	1,433,439,335	1,433,439,335	1,461,497,488	1,461,497,488
Ordinary share - unlisted	617,613	617,613	617,613	617,613
Debt securities				
Pakistan Investment Bonds	3,198,572,333	3,376,000,000	2,531,178,263	2,531,178,263
Treasury Bills	4,973,013,535	4,975,000,000	4,445,556,500	4,445,556,500
Terms Finance Certificate	99,920,000	99,920,000	99,960,000	99,960,000
Loans and other receivables	2,879,142,000	2,879,142,000	2,865,239,725	2,865,239,725
Insurance / reinsurance receivables	8,141,085,867	8,141,085,867	9,775,513,552	9,775,513,552
Reinsurance recoveries against outstanding claims	5,603,808,031	5,603,808,031	3,934,364,721	3,934,364,721
Cash and bank balances	1,570,505,178	1,570,505,178	815,678,747	815,678,747
	30,229,294,786	30,408,708,918	28,333,236,715	28,333,236,715
Financial liabilities				
Outstanding claims including IBNR	10,475,734,890	10,475,734,890	8,011,646,909	8,011,646,909
Unearned premium reserves	6,513,672,434	6,513,672,434	8,451,658,849	8,451,658,849
Unearned reinsurance commission	338,532,613	338,532,613	452,020,316	452,020,316
Retirement benefit obligations	3,188,627,998	3,188,627,998	2,998,194,096	2,998,194,096
	20,516,567,935	20,516,567,935	25,527,741,830	25,527,741,830

54.2 Fair value hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

2020	Total	Level 1	Level 2	Level 3
	----- Rupees -----			
Financial assets measured at fair value				
Held-for-trading investment				
Ordinary shares - listed	174,704,867	174,704,867	-	-
Available-for-sale investment				
Ordinary shares - listed	2,154,486,027	2,154,486,027	-	-
Mutual fund units	1,433,439,335	1,433,439,335	-	-
Ordinary shares - unlisted	617,613	-	-	617,613
2019				
Financial assets measured at fair value				
Held-for-trading investment				
Ordinary shares - listed	96,225,968	96,225,968	-	-
Available-for-sale investment				
Ordinary shares - listed	2,307,404,138	2,307,404,138	-	-
Mutual fund units	1,461,497,488	1,461,497,488	-	-
Ordinary shares - unlisted	617,613	-	-	617,613

54.3 Transfers during the period

There were no transfers between Level 1 and Level 2 fair value measurements.

There were no transfers into or out of Level 3 fair value measurements.

54.4 Valuation techniques

For level 2 investments - held to maturity, the fair value has been determined by using the rates at reporting date as per Financial Market Association of Pakistan in respect of T bills and PIBs.

For Level 3 available-for-sale investments the Company values the investment at lower of carrying value and breakup value.

55 PROVIDENT FUND

	2020	2019
	(Unaudited)	
	Rupees	
Net assets of the fund	<u>214,722,026</u>	<u>203,681,288</u>
Cost of investments	<u>148,890,200</u>	<u>140,562,267</u>
Fair value of investments	<u>180,215,792</u>	<u>169,175,054</u>
Cost of investment / net assets of the fund	<u>69.34%</u>	<u>69.01%</u>

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

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	2020	2019
	(Unaudited)	
	Rupees	
55.1 Break-up of investments of provident fund		
Investment in equity collective investment schemes	7,850,000	7,850,000
Investment in Government securities	134,527,677	128,105,663
Bank Balances	6,512,523	4,606,604
	<u>148,890,200</u>	<u>140,562,267</u>
		<u>2020</u>
56 STATEMENT OF SOLVENCY		--- (Rupees) ---
Assets		
Property and equipment		57,228,369
Intangible assets		8,474,168
Investment properties		25,496,671
Investments		
Equity securities		3,763,247,842
Debt securities		8,271,505,868
Loans and other receivables		2,879,142,000
Insurance / reinsurance receivables		8,141,085,867
Reinsurance recoveries against outstanding claims including IBNR		5,603,808,031
Deferred commission expense		708,870,616
Prepayments		4,144,875,197
Cash and bank balances		1,570,505,178
Total assets from window retakaful operations - Operator's retakaful fund		<u>409,366,837</u>
Total assets (A)		35,583,606,644
In-admissible assets as per following clause of section 32 (2) of Insurance Ordinance, 2000		
Property and equipment (2) (u-i, ii & iii)		45,839,570
Investment property (5)		21,961,909
Intangible assets (2) (i)		8,474,168
Investments (2) (p & s)		306,296,439
Loans and other receivables (2) (d)		79,245,838
Insurance / reinsurance receivables more than three months (2) (h)		5,794,377,000
Total in-admissible assets (B)		<u>(6,256,194,925)</u>
Total admissible assets (C=A-B)		29,327,411,720

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

		2020
		--- (Rupees) ---
Total liabilities		
Underwriting provisions		
Outstanding claims including IBNR		10,475,734,890
Unearned premium reserves		6,513,672,434
Unearned reinsurance commission		338,532,613
Retirement benefit obligations		3,188,627,998
Deferred taxation		116,933,390
Lease liabilities		26,778,855
Insurance / reinsurance payables		4,550,351,722
Unclaimed dividend		155,208,129
Other creditors and accruals		88,202,370
Total liabilities from Window Retakaful Operations - Operator's Fund		69,427,654
Total liabilities (D)		25,523,470,055
Total net admissible assets (E=C-D)		3,803,941,664
Minimum solvency requirement (higher of following)		
Method A - u/s 36(3)(a)	150,000,000	
Method B - u/s 36(3)(b)	1,883,424,766	
Method C - u/s 36(3)(c)	1,448,293,414	(1,883,424,766)
Excess of net admissible assets over minimum requirements		1,920,516,898

57 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison. Significant reclassifications for purposes of correct presentation, are as under:

Reclassification from	Reclassification to	Note	--- (Rupees) ---
Property and equipment	Intangible assets	8	3,389,667
Other expenses	Finance cost	40	1,466,709
Management expenses	Rental Income	39	1,434,407
Management expenses	Finance cost	40	272,791
Management expenses	Other expenses	42	2,440,000
Investment income	Other income	41	139,928,181

58 SUBSEQUENT NON ADJUSTING EVENTS

The Board of Directors in its meeting held on 30th April, 2021 have recommended a final cash dividend of Rs. 2.50 per share and a bonus issue of Rs. Nil per share for the approval of the members in the Annual General Meeting to be held on 24th May, 2021.

These financial statements for the year ended December 31, 2020 do not include the effect of these appropriations and these will be accounted in the financial statements for the year ending December 31, 2021.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

59 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 30th April, 2021 by the Board of Directors of the Company.

60 GENERAL

All figures have been rounded off to the nearest rupee unless otherwise stated.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer



**E M E R G I N G
PAKISTAN**



Ministry of Commerce
Government of Pakistan

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SHARIAH ADVISOR'S REPORT TO THE BOARD OF DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 2020

I have reviewed the Participant Takaful Fund Policy, Investment Policy, Re-Takaful arrangements and the related transactions of Pakistan Reinsurance Company Limited-Window Re-Takaful Operations (hereafter referred to as "Re-Takaful Operator") for the year ended 31 December 2020.

It is the responsibility of the Re-Takaful Operator to ensure that the rules, principles and guidelines set by the Shariah Advisor and Takaful Rules 2012 are complied with in all its business operations, and that all policies are duly approved by the Shariah Advisor.

My responsibility is to approve the products and policies, and express my opinion that the Financial Arrangements, Re-Takaful Arrangements, Contracts and Transactions entered into by the Re-Takaful Operator with its Participants and Stakeholders are in accordance with the requirements of Shariah rules and principles.

The primary objective of Shariah Advisor's report is to inform about the Re-Takaful Operator's compliance with Shariah Guidelines in its business operations, including the transactions undertaken by the Re-Takaful Operator during the year and express his opinion on transactions and operational aspects of Window Re-Takaful Operations.

Shariah Certification:

I confirm that in my opinion and to the best of my understanding based on the provided information and explanations:

i. Transactions undertaken by the Re-Takaful Operator for the year ended 31 December 2020 were in accordance with guidelines issued by Shariah Advisor as well as requirements of Takaful Rules 2012;

ii. For the investment purpose of Re-Takaful Funds, the Shari'ah Compliant Investment Policy had already been approved by the undersigned and the investments have been done from the Operator's Fund & Participant Takaful Fund into Shariah Compliant Investment avenues only, including Islamic Banks, Islamic Funds and Shariah Compliant Equities, with prior Shariah approvals. Further, all bank accounts related to the Window Re-Takaful Operations have been opened in Islamic Banking Institutions (IBIs) with Shariah Advisor's prior approval, which are completely separate from the conventional insurance business;

iii. Transactions and Activities of Window Re-Takaful Operations are in accordance with the Shariah principles in respect of the Participants Takaful Fund (Waqf Fund) and Operator's Fund (OF);

Based on our review of various transactions and operations of the company, the following is recommended:

- I. Quantum of outstanding contribution may be minimized to reduce financial stress on the fund.
- II. Although staff engaged in the Re-Takaful business has been trained about the concept of Takaful, still more trainings are required for more employees by arranging refresher courses of small duration on frequently basis in the future.

"And Allah Knows Best"

Mufti Muhammad Shakir Siddiqui

STATEMENT OF COMPLIANCE WITH THE TAKAFUL RULES, 2012 AND SHARIA RULES AND PRINCIPLES

The financial arrangements, contracts and transactions, entered into by Pakistan Reinsurance Company Limited - Window Re-Takaful Operations (the Operator) for the year ended 31 December 2020 are in compliance with the Takaful Rules, 2012 and the Sharia Rules and Principles determined by the Shariah Advisor of the Operator, (Sharia Rules and Principles).

Further, we confirm that:

- The Operator has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisor along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations. Further, the governance arrangements including the reporting of events and status of those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the Board of Directors have been implemented;
- The Operator has imparted orientations and ensured availability of all manuals / agreements approved by Shariah Advisor / Board of Directors to maintain the adequate level of awareness, capacity and sensitization of the staff, management;
- All the products and policies have been approved by the Shariah Advisor and the financial arrangements including investments made, policies, contracts and transactions, entered into by Window Re-Takaful Operations are in accordance with the polices approved by the Shariah Advisor.
- The assets and liabilities of Operator are segregated from the Pakistan Reinsurance Company Limited's other assets and liabilities, at all times in accordance with the provisions of the Takaful Rules, 2012.

This has been duly confirmed by the Shariah Advisor of the Operator.

Chief Executive Officer

INDEPENDENT REASONABLE ASSURANCE REPORT TO THE BOARD OF DIRECTORS ON THE STATEMENT OF MANAGEMENT'S ASSESSMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

Introduction

We were engaged by the Board of Directors of Pakistan Reinsurance Company limited ("the Company") to report on the management's assessment of compliance of the Window Retakaful Operations ("Retakaful Operations") of the Company, as set out in the annexed statement prepared by the management for the year ended December 31, 2020, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Operations with the Takaful Rules, 2012, in all material respects.

Applicable criteria

The criteria against which the subject matter information (the statement) is assessed comprises of the provision of Takaful Rules, 2012.

Responsibilities of the Management

The Board of Directors / management of the Company are responsible for designing, implementing and maintaining internal controls relevant to the preparation of the annexed Statement and to ensure that it is free from material misstatement, whether due to fraud or error. It also includes ensuring the overall compliance of the Retakaful Operations with the Takaful Rules, 2012.

The Board of Directors / management of the company are also responsible for preventing and detecting fraud and for identifying and ensuring that the Retakaful operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Retakaful Operations compliance with the Takaful Rules, 2012 are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirement, professional standards and applicable legal and regulatory requirement.

Our responsibilities

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB). The standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of compliance of the Retakaful Operations with the Takaful Rules, 2012, in all material respects.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Takaful Rules, 2012, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Retakaful Operations compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the Retakaful Operations' compliance with the Takaful Rules, 2012. Reasonable assurance is less than absolute assurance.

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with Takaful Rules, 2012, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

The procedures performed include the following:

- Evaluating the systems, procedures and practices in place with respect to the Retakaful operations against the Takaful Rules, 2012 and Shari'ah advisor's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee/ Shari'ah Advisor and the Board of Directors;
- Performing test for a sample of transactions relating to Retakaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Retakaful operations as laid down in Takaful rules, 2012.
- Review the statement of management's assessment of compliance of the Retakaful transactions for the year ended December 31, 2020 with the Takaful Rules, 2012.

Qualified Conclusion

Based on the procedures performed, except for the possible effects of the matter described in the Basis for Qualified Conclusion section of our report, we believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion the annexed statement for the year ended December 31, 2020, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012 in all material respects.

Basis for Qualified Conclusion

The annexed statement state that arrangements, contracts and transactions entered into by the **Pakistan Reinsurance Company Limited- Window Retakaful Operations** are in compliance with the Takaful rules, 2012 and Shariah principles. The Operator of Waqf (Participants' Retakaful Fund) is responsible to manage the fund on behalf of Participants and, further, to obtain and inspect supporting documents such as policies and other records to ensure that the Retakaful operations are Shariah compliant. However, in case of treaty business, the Operator does not obtain the said documents. As a result, we were unable to substantiate whether the business accepted under treaty arrangement were in accordance with the Shariah principles.

Date:
Karachi:

Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement Partner

INDEPENDENT AUDITOR'S REPORT

To the members of Pakistan Reinsurance Company Limited

Report on the Audit of the Financial Statements of the Window Retakaful Operation

Disclaimer of Opinion

We were engaged to audit the annexed financial statements of Pakistan Reinsurance Company Limited- Window Retakaful Operation (the Operations), which comprise the statement of financial position as at December 31, 2020, and the statement of profit and loss account, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have not obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

We do not express an opinion on the accompanying financial statements of Pakistan Reinsurance Company Limited- Window Retakaful Operations. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. As disclosed in 8, 11, 12, 18, 19, 26, 28, 33 and 36 to the financial statements, certain account balances and class of transactions have been recorded against treaty business. We were unable to obtain sufficient and appropriate audit evidence in respect of such account balances and class of transactions because the Company does not obtain necessary documents from ceding companies for record keeping and verification, but solely relies on the amounts mentioned in statutory quarterly returns for the purpose of recording transactions. Consequently, we were unable to determine whether any adjustment to these amounts were necessary.
2. As stated in note 8 to the financial statements, the balance under the head "Takaful/ Retakaful receivables" includes an amount of Rs. 4,987,509 in respect of which balance confirmation has not been received. In the absence of an independent confirmation we were unable to confirm the existence and valuation related to this amount. Further, gross and net balances of Rs. 57,822,957 and Rs. 10,442,595 remains unreconciled as at December 31, 2020. Due to pending confirmation/reconciliation relating to above mentioned balances, resultant adjustment and consequential impact therefore, if any, on the financial statements remain unascertained.

Emphasis of Matter

We draw attention to the following matters:

1. Note 1.4 to the financial statements, which describes the financial performance of Participant's Retakaful fund of the Window Retakaful Operations.
2. Note 25.1 to the financial statements which explains that the ultimate outcome of the matter stated cannot presently be determined for the reasons as mentioned in the aforementioned note.
3. Note 39.1 to the financial statements, which fully explains the matter that the Participant's Retakaful Fund has not been compliant with the solvency requirements as prescribed under the Insurance Ordinance, 2000.

Our opinion is not further modified in respect of the above matters.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Operator's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our ethical responsibilities in accordance with the Code.

Report on Other Legal and Regulatory Requirements

Based on our audit, except for the effects of the matters discussed in Basis for Disclaimer Opinion paragraph, we further report that in our opinion:

- a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980),

The engagement partner on the audit resulting in this independent auditor's review report is Mr. Muhammad Shaukat Naseeb.

Grant Thornton Anjum Rahman
Chartered Accountants
Karachi
Date:



FINANCIAL STATEMENTS

WINDOW RETAKAFUL OPERATIONS

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	Note	Operator's Retakaful Fund		Participant's Retakaful Fund	
		2020	2019	2020	2019
----- (Rupees) -----					
Assets					
Investments	6	17,251,711	16,121,995	84,586,557	78,936,186
Other receivable	7	1,377,632	-	-	-
Takaful/retakaful receivables	8	-	-	213,512,771	117,396,079
Receivable from Participant's Retakaful Fund - net	9	29,557,577	51,018,561	-	-
Taxation - payments less provision	10	-	-	-	299,855
Deferred wakala fee	11	-	-	54,941,261	44,204,562
Deferred commission expense	12	41,504,925	34,719,365	-	-
Prepayments	13	-	-	75,847,698	20,300,625
Bank balances	14	319,674,992	257,509,232	102,591,279	27,265,685
Total Assets		409,366,837	359,369,153	531,479,566	288,402,992
Funds & Liabilities					
Funds attributable to:					
Operator's Retakaful Fund					
Statutory fund	15	300,000,000	300,000,000	-	-
Reserves	16	39,939,183	9,512,001	-	-
Total Operator's Funds		339,939,183	309,512,001	-	-
Participant's Retakaful Fund					
Seed money	17	-	-	1,000,000	1,000,000
Reserves	16	-	-	(114,920,221)	(35,484,040)
Balance of Participant's Retakaful Fund		-	-	(113,920,221)	(34,484,040)
Liabilities:					
Underwriting provisions					
Outstanding claims including IBNR	18	-	-	299,136,344	79,628,925
Unearned contribution reserves	19	-	-	238,875,048	192,193,746
Contribution deficiency reserve	20	-	-	19,010,777	-
		-	-	557,022,169	271,822,671
Unearned wakala fee	11	54,941,261	44,204,562	-	-
Takaful/retakaful payables	21	-	-	58,819,041	-
Payable to Operator's Retakaful Fund - net	9	-	-	29,557,577	51,018,561
Taxation - provision less payment	10	8,960,899	3,326,472	-	-
Deferred taxation	22	69,101	78,693	-	-
Other creditors and accruals	23	866,500	2,247,425	1,000	45,800
Payable to related party	24	4,589,893	-	-	-
Total liabilities		69,427,654	49,857,152	645,399,787	322,887,032
Total Equity and Liabilities		409,366,837	359,369,153	531,479,566	288,402,992
Contingencies and Commitments	25				

The annexed notes 1 to 44 form an integral part of these financial statements

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 ----- (Rupees) -----	2019 ----- (Rupees) -----
PARTICIPANTS' RETAKAFUL FUND			
Revenue account			
Contribution earned	26	557,053,169	232,593,865
Less: contributions ceded to retrotakaful	26	<u>(66,989,829)</u>	<u>(44,274,375)</u>
Net contribution revenue		490,063,340	188,319,490
Wakala fee expense	27	<u>(128,122,229)</u>	<u>(53,496,589)</u>
Net underwriting income		361,941,111	134,822,901
Net claims - reported/ settled - IBNR	28	<u>(420,624,751)</u>	<u>(172,856,227)</u>
Charge of contribution deficiency reserve	20	<u>(19,010,777)</u>	<u>-</u>
Deficit before investment income		<u>(77,694,417)</u>	<u>(38,033,326)</u>
Investment income	29	5,661,669	471,022
Other income	30	1,856,259	1,567,004
Less: Modarib's fee	31	<u>(1,879,482)</u>	<u>(509,507)</u>
Provision for doubtful contributions	8.1	<u>(6,898,427)</u>	<u>-</u>
Deficit before taxation		<u>(78,954,398)</u>	<u>(36,504,807)</u>
Taxation	32	<u>(1,348,372)</u>	<u>-</u>
Deficit transferred to accumulated deficit		<u>(80,302,770)</u>	<u>(36,504,807)</u>
OPERATOR'S RETAKAFUL FUND			
Revenue account			
Wakala fee income	27	128,122,229	53,496,589
Commission expense	33	<u>(102,032,546)</u>	<u>(38,208,941)</u>
General, administrative and management expenses	34	<u>(6,947,553)</u>	<u>(4,243,734)</u>
		19,142,130	11,043,914
Investment income	29	1,202,072	83,277
Other income	30	20,664,577	1,378,609
Modarib's fee	31	1,879,482	509,507
		23,746,131	1,971,393
Profit before taxation		42,888,261	13,015,307
Taxation	32	<u>(12,437,596)</u>	<u>(3,774,439)</u>
Profit after taxation		<u>30,450,665</u>	<u>9,240,868</u>

The annexed notes 1 to 44 form an integral part of these financial statements

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	----- (Rupees) -----	
Participants' Retakaful Fund		
Deficit for the year	(80,302,770)	(36,504,807)
Other comprehensive income for the year		
<i>Item that may be subsequently reclassified to profit or loss account</i>		
Unrealized gain on revaluation of available-for-sale investments- net of tax	866,589	1,020,623
<i>Item that will not be subsequently reclassified to profit or loss account</i>	-	-
	866,589	1,020,623
Total comprehensive loss for the year	(79,436,181)	(35,484,184)
Operator's Retakaful Fund		
Profit after taxation	30,450,665	9,240,868
Other comprehensive (loss) / income for the year		
<i>Item that may be subsequently reclassified to profit or loss account</i>		
Unrealized (loss) / gain on revaluation of available-for-sale investments- net of tax	(23,483)	192,662
<i>Item that will not be subsequently reclassified to profit or loss account</i>	-	-
	(23,483)	192,662
Total comprehensive income for the year	30,427,182	9,433,530

The annexed notes 1 to 44 form an integral part of these financial statements

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

Seed Money	Attributable to Participant's Retakaful Fund				Balance of Participant's Retakaful Fund
	Reserves			Total Reserves	
	Capital	Revenue			
	Unrealized gain on available for sale investment	Accumulated Surplus/(deficit)			
----- (Rupees) -----					
Balance as at January 01, 2019	1,000,000	-	144	144	1,000,144
Total comprehensive income for the year					
Unrealized gain on available for sale investments	-	1,020,623	-	1,020,623	1,020,623
Deficit for the year	-	-	(36,504,807)	(36,504,807)	(36,504,807)
Balance as at December 31, 2019	1,000,000	1,020,623	(36,504,663)	(35,484,040)	(34,484,040)
Balance as at January 01, 2020	1,000,000	1,020,623	(36,504,663)	(35,484,040)	(34,484,040)
Total comprehensive income for the year	-	866,589	-	866,589	866,589
Unrealized gain on available for sale investments	-	-	(80,302,770)	(80,302,770)	(80,302,770)
Deficit for the year	-	-	(80,302,770)	(80,302,770)	(80,302,770)
Balance as at December 31, 2020	1,000,000	1,887,212	(116,807,433)	(114,920,221)	(113,920,221)

Statutory Fund	Attributable to Operator's Retakaful Fund				Total Operator's Retakaful Fund
	Reserves			Total Reserves	
	Capital	Revenue			
	Unrealized gain / (loss) on available for sale investment	Unappropriated Profit			
----- (Rupees) -----					
Balance as at January 01, 2019	50,000,000	-	78,471	78,471	50,078,471
Increase in Statutory fund	250,000,000	-	-	-	250,000,000
Total comprehensive income for the year					
Unrealized gain on available for sale investments-net	-	192,662	-	192,662	192,662
Profit for the year	-	-	9,240,868	9,240,868	9,240,868
Balance as at December 31, 2019	300,000,000	192,662	9,319,339	9,512,001	309,512,001
Balance as at January 01, 2020	300,000,000	192,662	9,319,339	9,512,001	309,512,001
Total comprehensive income for the year	-	(23,483)	-	(23,483)	(23,483)
Unrealized loss on available for sale investments-net	-	(23,483)	-	(23,483)	(23,483)
Profit for the year	-	-	30,450,665	30,450,665	30,450,665
Balance as at December 31, 2020	300,000,000	169,179	39,770,004	39,939,183	339,939,183

The annexed notes 1 to 44 form an integral part of these financial statements

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Operator's Retakaful Fund		Participant's Retakaful Fund	
	2020	2019	2020	2019
Note	----- (Rupees) -----			
Operating cash flow				
Retakaful activities				
Contribution received	-	-	500,719,351	138,350,653
Retro takaful contribution paid	-	-	(63,717,861)	(32,287,500)
Benefits recoveries from retro takaful	-	-	15,996,735	-
Benefits paid	-	-	(217,114,067)	-
Commission paid	(108,818,104)	-	-	-
Net cash (used in) / generated from retakaful activities	(108,818,104)	-	235,884,158	106,063,153
Other operating activities				
Income tax paid	(2,998,018)	(160,049)	(1,048,517)	(299,855)
Management expenses paid	(5,620,793)	(2,051,012)	-	-
Profit on bank deposits received	19,311,944	1,378,609	1,856,259	1,567,004
Other operating receipts/(payments)	160,172,757	(29,170,172)	(160,382,959)	(485,761)
Net cash generated from /(used in) from other Operating activities	170,865,890	(30,002,624)	(159,575,217)	781,388
Total cash generated from /(used in) in operating activities	62,047,786	(30,002,624)	76,308,941	106,844,541
Investing activities				
Purchase of investments made	(1,084,098)	(12,745,000)	(6,645,016)	(80,580,000)
Investment income received	1,202,072	-	5,661,669	-
Total cash generated from /(used in) investing activities	117,974	(12,745,000)	(983,347)	(80,580,000)
Financing activities				
Amount received in Statutory fund	-	250,000,000	-	-
Total cash generated in financing activities	-	250,000,000	-	-
Net cash generated from all activities	62,165,760	207,252,376	75,325,594	26,264,541
Cash and cash equivalent at beginning of the year	257,509,232	50,256,856	27,265,685	1,001,144
Cash and cash equivalent at end of the year	319,674,992	257,509,232	102,591,279	27,265,685
Reconciliation to profit and loss account				
Operating cash flows	62,047,786	(30,002,624)	76,308,941	106,844,541
Investment income received	1,202,072	83,277	5,661,669	471,022
(Decrease) / Increase in operating assets other than cash	(64,818,345)	118,114,203	177,808,408	208,120,721
(Decrease) / Increase in operating liabilities	41,458,730	(75,339,598)	(339,781,933)	(352,240,946)
	39,890,243	12,855,258	(80,002,915)	(36,804,662)
Other adjustments:				
Income tax paid	2,998,018	160,049	1,048,517	299,855
Profit / (deficit) before taxation	42,888,261	13,015,307	(78,954,398)	(36,504,807)
Provision for taxation	(12,437,596)	(3,774,439)	(1,348,372)	-
Total profit/(deficit) for the year	30,450,665	9,240,868	(80,302,770)	(36,504,807)

The annexed notes 1 to 44 form an integral part of these financial statements

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Reinsurance Company Limited (the Company) is a public listed company incorporated in Pakistan on March 30, 2000 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). Pakistan Reinsurance Company Limited - Window Retakaful Operations (the Operator) is listed on Pakistan Stock Exchange and is engaged in general retakaful business comprise of fire, marine, aviation, engineering and accident. The registered office of the Operator is situated at PRC Tower. 32-A. Lalazar Drive. Maulvi Tamizuddin Khan Road, Karachi. The zonal office of the Operator is located at 1st floor, 15-A, Davis Road, State Life Building, Lahore, Pakistan.
- 1.2** The Operator has been authorized to undertake Window Retakaful Operations on September 26, 2018 by Securities and Exchange Commission of Pakistan (SECP) under Takaful Rules, 2012 to carry on General Window Retakaful Operations in Pakistan. For the purpose of carrying on the Retakaful business, the Operator has formed a Waqf (Participants' Retakaful Fund) on September 26, 2018 under the Waqf Deed with a Cede money of Rs. 1,000,000.
- 1.3** The Waqf Deed and Participant Retakaful Fund Policies (Waqf Rules) govern the relationship of Operator, Waqf and Participants for management of Retakaful operations, investment of Waqf and Operator's Fund as approved by the Shariah Advisor of the Operator. The accounts of the Waqf are maintained by the Operator in a manner that the assets and liabilities of Waqf remain separately identifiable. The financial statements of the Operator are prepared in such a manner that the financial position and results from the operations of Waqf and the Operator are shown separately.
- 1.4** During the year Participant's Retakaful fund of the Window Retakaful Operations incurred a deficit of Rs. 80,302,770 (2019: Rs. 36,504,807), resulting in accumulated deficit of Rs. 116,807,433 (2019: Rs. 36,504,663) as of the date of statement of financial position. Further, as of that date total liabilities of Participant's Retakaful Fund exceed its current assets by Rs. 113,920,221 (2019: Rs. 34,484,040).

Moreover, Participants' Retakaful Fund is unable to comply with the minimum solvency requirement under Insurance Ordinance, 2000 and reported a deficit in net admissible assets over minimum requirement amounted to Rs. 394,354,221 (refer note 39). These may create adverse effect on the operations of the funds. However, in order to ensure the un interrupted operations of the funds, the Operator has decided subsequent to year end, to provide Qarde Hasana amounting to Rs. 244,354,221 to Participants' Retakaful Fund.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules 2017, General Takaaful Accounting Regulations, 2019 and Takaful Rules, 2012.

In case requirement differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, Insurance Rules 2017, General Takaaful Accounting Regulations, 2019 and Takaful Rules, 2012 shall prevail.

The Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 1416(I).2019 dated November 20, 2019 has issued General Takaaful Accounting Regulations, 2019. Accordingly, the Operator has changed format for preparation and presentation of the financial statement to comply with the requirement of the regulation. The application of these regulations for the purpose of preparation and presentation of the financial statement are effective from January 01, 2020.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

2.1 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the available-for-sale investments that have been measured at fair value. No adjustment for the effect of inflation has been accounted for in the financial statements. All transactions reflected in these financial statements are on accrual basis except for those reflected in Statement of Cash Flows.

2.2 Functional and presentation currency

These annual financial information have been presented in Pakistani Rupees, which is also the functional and presentation currency of the Operator.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards, amendments and interpretations to the published standards that are relevant to the Operation and adopted in the current year

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

New or Revised Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 3 - Definition of a Business - (Amendments)	January 1, 2020
IAS 1 and IAS 8 - Definition of Material - (Amendments to IAS 1 and IAS 8)	January 1, 2020
IAS 39 and IFRS 7 Investment rate benchmark Reform (Amendments)	January 1, 2020
IFRS 16 - COVID-19 Rent Related Concessions (Amendment)	June 1, 2020
Annual improvements to accounting standards (2015-2017 cycle)	January 1, 2020

Adoption of the above standards have no effect on the amounts for the year ended December 31, 2020.

IFRS 9 'Financial Instruments' and amendment (effective for period ending on or after June 30, 2019) replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It has also carried forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from the profit and loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of IFRS 9 until December 31, 2022.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

For the companies adopting the temporary exemption, the IFRS 4 requires certain disclosures which have been disclosed as follows:

Temporary exemption from application of IFRS 9

As an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are as follows:

Fair value of financial assets and changes during the year:

OPERATOR'S RETAKAFUL FUND

Financial assets that meet the SPPI criteria, excluding those held for trading

As at December 31, 2020	As at December 31, 2019	Changes during the year
-	-	-
-	-	-

Financial assets that do not meet the SPPI criteria

Equity investments

Mutual Funds- Available for sale

17,251,711	16,121,995	1,129,716
17,251,711	16,121,995	1,129,716

PARTICIPANT'S RETAKAFUL FUND

Financial assets that meet the SPPI criteria, excluding those held for trading

-	-	-
-	-	-

Financial assets that do not meet the SPPI criteria

Equity investments

Mutual Funds- Available for sale

84,586,557	78,936,186	5,650,371
84,586,557	78,936,186	5,650,371

3.2 Standards, amendments and interpretations to the published standards that may be relevant but not yet effective and not early adopted by the Company

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

Standards or interpretation	Effective date (annual periods beginning on or after)
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2 (Amendments)	January 1, 2021
IFRS 17 - Insurance Contracts	January 1, 2022
IFRS 3 - Reference to the Conceptual Framework (Amendments)	January 1, 2022
IAS 16 - Proceeds before Intended Use (Amendments)	January 1, 2022
IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	January 1, 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41 - Annual Improvements to accounting standards (2018-2020 cycle)	January 1, 2022
IAS 1 - Classification of Liabilities as Current or Non-current (Amendments)	January 1, 2023

The Company is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Company.

3.3 Standards, amendments and interpretations to the published standards that are not yet notified by the SECP

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the SECP:

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
IFRS 17 Insurance Contracts	January 1, 2022
IFRS 9 ECL model on financial assets due from government	July 1, 2021

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. The policies are consistent in all the years presented in these financial statements.

4.1 Retakaful contracts

Retakaful contracts are based on the principles of Wakala. Retakaful contracts so agreed usually inspire concept of Tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

A separate Participants Retakaful Fund is created in which all contribution received under general Retakaful contribution net off any Government levies and administrative surcharge are credited. The role of Retakaful Operator is of the management of the Participants Retakaful Fund. At the initial stage of the setup of the Participants Retakaful Fund, the Retakaful Operator makes payment as ceded money to the Participants Retakaful Fund. The terms of the Retakaful contracts are in accordance with the generally accepted principles and norms of insurance business suitably modified with guidance by the Shariah Advisor of the Retakaful Operator.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

Once a contract has been classified as a Retakaful contract, it remains a Retakaful contract for the remainder of its lifetime, even if the Retakaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The Operator underwrites non-life Retakaful contracts that can be categorized into:

- Fire and property damage;
- Marine, aviation and transport;
- Motor; and
- Miscellaneous.

Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. The Retakaful risk involved in these contracts is similar to the contracts undertaken by the Operator as Retakaful operator.

Fire and property damage

Fire and property damage Retakaful contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the covered properties in their business activities (business interruption cover).

Marine, aviation and transport

Marine, aviation and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships, and liabilities to third parties and passengers arising from their use.

Motor

Motor Retakaful contracts cover physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

Miscellaneous

All other Retakaful contracts like machinery breakdown, bonds, cash in hand, cash in transit, personal accident, public liabilities, health, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, workers compensation etc. are included under Miscellaneous Retakaful cover.

4.2 Retakaful surplus

Retakaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, shall be made after the adjustment of claims paid to them during the year.

4.3 Qard-e-Hasna

Qard-e-Hasna is provided by Operators' Fund to Participant's Retakaful Fund in case of deficit in Participant's Retakaful Fund. Qard-e-Hasna is recognized at the amount provided to Participant's Retakaful Fund less impairment, if any. The Operator would be allowed to recover this Qard from the Participant Retakaful Fund over any period without charging any profit.

4.4 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income and below funds, in which case it is recognized in equity.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

4.4.1 Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Provision for taxation is based on taxable income at the current rates of tax after taking into account applicable tax credits, rebates and exemptions available, if any.

4.4.2 Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary difference arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. A deferred tax asset is generally recognized and only to the extent that is probable that future taxable profits will be available and the credits can be utilized.

Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

4.5 Revenue recognition

4.5.1 Contribution

For all takaful contracts, contributions including administrative surcharge under a takaful contract are recognized as written from date of issuance to the date of attachment of risk to the policy / cover note.

Contributions income net of wakala fee is determined after taking into account the unearned portion of contributions. The unearned portion of contribution income is recognized as a liability in Participant's Retakaful Fund.

Re-takaful ceded is recognized as expense after taking into account the proportion of deferred re-takaful contribution expense which is calculated using twenty fourths method. The deferred portion of re-takaful contribution expense is recognized as a prepayment.

4.5.2 Rebate From Retrotakaful Operator

Rebate and other forms of revenue (apart from recoveries) from re-takaful operators are deferred and recognized as liability and recognized in the profit and loss account as revenue of Participants' Retakaful Fund in accordance with the pattern of recognition of the re-takaful contributions.

4.5.3 Investment income

Profit on bank deposits is recognized on a time proportion basis taking into account the effective yield. Dividend income is recognized when the Operations' right to receive the payment is established. Return on fixed income securities classified as available for sale is recognized on a time proportion basis taking into account the effective yield on the investments. Gain / loss on sale of investments is recognized at the time of sale.

4.5.4 Receivables and payables related to takaful contracts

Receivables including contribution due but unpaid, relating to retakaful contracts are recognized when due. The claim/benefits payable is recorded when intimation is received. These are recognized at cost, which is the fair value of the consideration given less provision for impairment losses, if any. contribution received in advance is recognized as liability till the time of issuance of takaful contract there against.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

4.6 Cash and cash equivalents

Cash and cash equivalents comprise of cash in deposit accounts with banks (current and savings), cheques in hand and in transit.

4.7 Provisions

A provision is recognized in the statement of financial position when the Operator has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

4.8 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and or services received, whether or not billed to the Operator.

Provisions are recognized when the Operator has a legal or constructive obligation as a result of a past event and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, the provisions are reviewed at financial statement date and adjusted to reflect current best estimates.

4.9 Wakala fee

Wakala fee is recognized in the Profit and loss account. Wakala Fee is taken 23% of Contribution earned from all business categories. This is recognized as an expense of Participant Retakaful Fund and income of Operator Fund.

4.9.1 Provision for unearned wakala fee

The Operator manages the general takaful operations for the participants and charges wakala fee to Participants' Retakaful Fund on gross contributions recognized for each class. Unearned portion of wakala fee is determine on the basis of unearned portion of contribution received.

4.10 Commission

Commission and other acquisition costs incurred in obtaining and recording on direct, facultative and retrotakaful sessions has been deferred and recognized as assets and liability as under:

4.10.1 Commission income

Commission income is being taken to profit and loss account on a time proportion basis in accordance with the pattern of recognition of retrotakaful Contribution to comply with the requirements of Insurance Rules, 2017. issued by SECP vide its S.R.O. 89(1) / 2017 dated February 09, 2017.

4.10.2 Deferred commission expense

Commission expenses are deferred and recognized as an asset in correlation with unearned Contribution that will be recognized in the subsequent reporting period to comply with the requirements of Insurance Rules, 2017. issued by SECP vide its S.R.O. 89(1) / 2017 dated February 09, 2017.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

4.11 Statutory fund

Total amount of Rs. 300 million is deposited as statutory fund to comply with provisions of paragraph 4 of circular no. 8 of 2014 read with section 11(1)(c) of Takaful Rules, 2012 issued by SECP, which states that 'every insurer who is interested to commence Window Takaful business shall transfer an amount of not less than Rs. 50 million to be deposited in a separate bank account for Window Takaful business duly maintained in a scheduled bank.

4.12 Contribution

Contribution written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, Contribution is recognized as revenue in accordance with the pattern of the incidence of risk.

4.12.1 Provision for unearned contribution

The portion of Contribution written relating to the unexpired period of coverage is recognized as unearned Contribution by the Company. The unearned portion of Contribution income is recognized as a liability. For Treaty Business the liability is calculated by applying 1/8 method and for Facultative Business over the period of insurance from the date of issuance of the policy to which it relates to its expiry.

4.13 Retro-takaful ceded

The Company enters into retrotakaful contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward retrotakaful Contributions are accounted for in the same period as the related Contributions for the accepted retrotakaful business being retakaful.

Retrotakaful liabilities represent balances due to retrotakaful companies. Amount payable are estimated in a manner consistent with the related retrotakaful contract. retrotakaful assets represent balance due from retrotakaful companies. Amount recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the retrotakaful policies and are in accordance with the related insurance contract.

Retrotakaful assets are not offset against related insurance liabilities. Income for expenses from retrotakaful contracts are not offset against expenses or income from related insurance assets. retrotakaful assets or liabilities are derecognized when the contractual rights are extinguished or expired.

The Company assesses its retrotakaful assets for impairment on balance sheet date. If there is an objective evidence that the retrotakaful asset is impaired. The Company reduces the carrying amount of the retrotakaful asset to its recoverable amount and recognizes that impairment loss in the profit and loss account.

4.14 Provision for outstanding claims including Incurred But Not Reported (IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred up to the financial statement date which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs.

Retakaful recoveries against outstanding claims are recognized as an asset and measured at the amount expected to be received.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

4.15 Retrotakaful recoveries against outstanding claims

Claims recoveries receivable from the reinsurer are recognized as an asset at the same time as the claims which give rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received.

4.16 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.17 Segment reporting

For management purposes, the Company is organized into six departments which deal with specific type of insurance policies. These departments are business segments for financial reporting purposes. Moreover, there are 'treaty arrangement' under each department and is treated as a separate segment. Thus the Company has seven segment - fire, marine cargo, marine hull, accident and others, aviation, engineering and treaty.

These segments are the basis on which the Company report its primary segment information. Other operations of the Company comprises investment in securities and in properties. The Company operates in Pakistan only. There are no transactions between segments.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

4.18 Investments

4.18.1 Classification and recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investment held for trading in which case transaction costs are charged to profit and loss account.

These are recognized and classified as follows:

- Held for trading,
- Held to maturity, and
- Available-for-sale.

The classification depends on the purpose for which the financial assets were acquired.

4.18.2 Measurement

(a) Held for trading

Investments which are designated as held for trading upon initial recognition.

After initial recognition, the above investments are remeasured at fair value determined with reference to the rates prevailing in the stock exchange, where applicable. Gains or losses on remeasurement of these investments are recognized in profit or loss account.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

(b) Held to maturity

Investments with fixed maturity and fixed income investments, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity. After initial recognition, these are carried at amortized cost less provision for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition using effective yield method.

(c) Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables (b) held-to-maturity investments or (c) financial assets held for trading.

Equity securities held by the Operator that are traded in an active market are classified as Available for Sale and are stated at fair value at the end of each reporting period. Dividend on AFS equity investments are recognized in profit and loss account. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of capital reserve. When the investments is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in comprehensive income reclassified to profit and loss account.

4.18.3 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For Available-for-Sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

4.19 Impairment of non financial assets

The carrying amount of assets are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less cost to sell and value in use. Impairment losses are recognized in profit and loss account.

4.20 Management expenses

Management expenses directly attributable to Window Retakaful Operations are charged to Operator's Retakaful Fund on an accrual basis.

4.21 Mudarib's fee

The Operator also manages the participants' investment as Mudarib and charges 25 % of the investment income and profit on bank deposits earned by the Participant's Retakaful Fund as Mudarib's fee. It is recognized on the same basis on which related revenue is recognized.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

4.22 Benefits

Benefits are charged to Participants Retakaful Fund as incurred based on estimated liability for compensation owed under the takaful contracts. It includes claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

4.23 Receivables and payables related to retakaful contracts

Receivables including contribution due but unpaid relating to takaful contracts are recognized when due. The claim payable is recorded when intimation is received. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. Contribution received in advance is recognized as liability till the time of issuance of takaful contract there against.

If there is an objective evidence that any contribution due but unpaid is impaired, the Operations reduces the carrying amount of that contribution receivable and recognizes the loss in profit and loss account.

4.24 Contribution deficiency reserve

The Participant's Retakaful Fund is required to maintain a provision in respect of contribution deficiency for the individual class of business where the unearned contribution liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that class of business at the reporting date. The movement in the contribution deficiency reserve is recognized as an expense in the profit or loss account. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims.

The management considers that the unearned contribution reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses, expected to be incurred after the reporting date in respect of policies in those classes of business in force at the reporting date. Hence, no reserve for the same has been made in these financial statements.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

5.1 Use of estimates and judgements

In preparing these financial statement, management has made judgement, estimates and assumptions that affect the application of the Operations' accounting policies and reported amounts of assets, liabilities, Income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent years are included in following notes:

	Note
a) classification of investments;	4.18.1
b) impairment of available for sale investments ;	4.18.3
c) taxation;	4.4
d) provision for unearned wakala fee;	4.9.1
e) Deferred commission expense;	4.10.2
f) provision for outstanding claims including IBNR and re-takaful recoveries;	4.14
g) provision for unearned contribution;	4.12.1
h) Allocation of management expenses; and	4.20
i) contribution deficiency reserves.	4.24

PAKISTAN REINSURANCE COMPANY LIMITED -
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Notes to the Financial Statements

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6 INVESTMENTS Available for sale - Mutual Funds

	Operator's Retakaful Fund			Participants Retakaful Fund		
	Total cost of Investment	Market value / carrying value of investment	Unrealized Gain/(Loss)	Total cost of Investment	Market value / carrying value of investment	Unrealized Gain
As At December 31, 2020	-----Rupees-----					
Al Hamra Islamic Income Fund	3,357,880	3,473,395	115,516	16,422,914	17,021,528	598,614
Al-Ameen Islamic Sovereign Fund - Class C	1,802,654	1,857,056	54,402	3,181,154	3,277,158	96,004
Al-Ameen Islamic Cash Fund	1,627,613	1,569,627	(57,986)	13,534,694	13,559,122	24,428
NBP Islamic Mahana Amdani Fund	3,390,201	3,457,516	67,315	16,294,754	16,943,750	648,996
ABL Islamic Income Fund	3,388,786	3,447,823	59,036	16,373,998	16,893,168	519,170
Meezan Rozana Amdani Fund - Growth-B	3,446,297	3,446,294	(3)	16,891,831	16,891,831	(0)
	17,013,431	17,251,711	238,280	82,699,345	84,586,557	1,887,212
As At December 31, 2019						
Al Hamra Islamic Income Fund	3,156,789	3,227,879	71,090	15,516,000	15,805,197	289,197
Al-Ameen Islamic Sovereign Fund - Class C	1,700,000	1,750,246	50,246	3,000,000	3,088,670	113,540
Al-Ameen Islamic Cash Fund	1,465,576	1,468,083	2,507	12,662,683	12,681,753	19,070
NBP Islamic Mahana Amdani Fund	3,156,931	3,230,031	73,100	15,516,000	15,814,738	298,738
ABL Islamic Income Fund	3,156,578	3,230,990	74,412	15,516,000	15,816,078	300,078
Meezan Rozana Amdani Fund - Growth B	3,214,766	3,214,766	-	15,729,750	15,729,750	-
	15,850,640	16,121,995	271,355	77,940,433	78,936,186	1,020,623

7 OTHER RECEIVABLES

Loan to employee
Accrued markup on bank deposits

Note

Operator's Retakaful Fund	
2020	2019
----- (Rupees) -----	
25,000	-
1,352,632	-
1,377,632	-

8 TAKAFUL/RETAKAFUL RECEIVABLES

Due from takaful participants holders

Treaty takaful
Facultative takaful

Note

Participant's Retakaful Fund	
2020	2019
----- (Rupees) -----	
157,639,043	82,027,561
62,772,155	35,368,518
220,411,198	117,396,079
Less: provision for impairment	
8.1	
6,898,427	-
213,512,771	117,396,079

8.1 Movement of provision for impairment

Balance at the beginning of the year
Provisions made during the year
Balance at the end of the year

-	-
6,898,427	-
6,898,427	-

PAKISTAN REINSURANCE COMPANY LIMITED -
WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	Operator's Retakaful Fund		Participant's Retakaful Fund	
		2020	2019	2020	2019
9 RECEIVABLE FROM PARTICIPANT'S RETAKAFUL FUND / (PAYABLE TO OPERATOR'S RETAKAFUL FUND)		-----Rupees-----			
Amount (payable) to / receivable from Participant's Retakaful Fund	9.1	(23,919,481)	26,367,379	23,889,771	(26,367,379)
Wakala fee	9.2	233,975,157	97,701,151	(233,975,157)	(97,701,151)
Modarib's share of participants' retakaful fund investment income and bank profit	9.3	1,879,482	509,507	(1,879,482)	(509,507)
Expenses paid on behalf of Operator		-	(631,170)	-	631,170
Commission payable		(182,377,580)	(72,928,306)	182,407,292	72,928,306
		29,557,577	51,018,561	(29,557,577)	(51,018,561)

9.1 The amount is payable by the Operator to Participant's Retakaful Fund related to contribution received by the Operator from takaful participants.

9.2 It represents the amount receivable from Participant's Retakaful Fund related to wakala fee charged at 23% of gross contribution written amounted to Rs. 138,858,928 (2019: Rs. 95,111,229)

9.3 It represents Mudarib fee receivable against managing the investments and funds of participants at the rate 25% of all investment income and profit on bank deposits.

	Note	Operator's Retakaful Fund		Participant's Retakaful Fund	
		2020	2019	2020	2019
10 TAXATION- (PROVISION LESS PAYMENT)/ PAYMENT LESS PROVISION		-----Rupees-----			
Balance at the beginning of the year		(3,326,472)	287,915	299,855	-
Income tax deducted at source on dividend income		176,553	13,486	918,916	99,610
Income tax deducted at source on bank profit		2,852,178	146,566	429,456	200,245
Payment of income tax		3,774,438	-	-	-
Provision for current tax		(12,437,596)	(3,774,439)	(1,648,227)	-
Balance at the end of the year		(8,960,899)	(3,326,472)	-	299,855

11 DEFERRED WAKALA FEE / UNEARNED WAKALA FEE

Facultative business	11.1	4,148,353	4,206,682	4,148,353	4,206,682
Treaty		50,792,908	39,997,880	50,792,908	39,997,880
		54,941,261	44,204,562	54,941,261	44,204,562

PAKISTAN REINSURANCE COMPANY LIMITED -
WINDOW RETAKAFUL OPERATIONS

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FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	Operator's Retakaful Fund		Participant's Retakaful Fund	
		2020	2019	2020	2019
-----Rupees-----					
11.1 Facultative business					
Fire		2,232,422	3,067,695	2,232,422	3,067,695
Marine cargo		14,906	38,094	14,906	38,094
Accident		1,132,376	785,732	1,132,376	785,732
Engineering		768,649	315,161	768,649	315,161
		4,148,353	4,206,682	4,148,353	4,206,682
12 DEFERRED COMMISSION EXPENSE					
Facultative business	12.1	1,773,629	1,988,054	-	-
Treaty		39,731,296	32,731,311	-	-
		41,504,925	34,719,365	-	-
12.1 Facultative business					
Fire		1,183,599	1,623,545	-	-
Marine cargo		7,442	17,916	-	-
Accident		248,393	195,198	-	-
Engineering		334,195	151,395	-	-
		1,773,629	1,988,054	-	-
13 PREPAYMENTS					
Treaty business					
Prepaid retakaful contribution ceded		-	-	75,847,698	20,300,625
14 BANK BALANCES					
Cash at bank					
-Saving accounts	14.1	319,674,992	257,509,232	102,591,279	27,265,685

14.1 Markup on profit and loss sharing accounts ranging from 3% to 6% (2019: 5% to 7%) per annum.

15 STATUTORY FUND

Total amount of Rs. 300 million is deposited by the Operator as statutory fund to comply with provisions of paragraph 4 of circular no. 8 of 2014 read with section 11(1)(c) of Takaful Rules, 2012 issued by SECP, which states that 'every insurer who is interested to commence Window Takaful business shall transfer an amount of not less than Rs. 50 million to be deposited in a separate bank account for Window Takaful business duly maintained in a scheduled bank.

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FOR THE YEAR ENDED DECEMBER 31, 2020

	Operator's Retakaful Fund		Participant's Retakaful Fund	
	2020	2019	2020	2019
16 RESERVES	-----Rupees-----			
Revenue				
Unappropriated profit /(loss)	39,770,004	9,319,339	(116,807,433)	(36,504,663)
Capital				
Unrealized gain on Available for sale investments	169,179	192,662	1,887,212	1,020,623
	39,939,183	9,512,001	(114,920,221)	(35,484,040)

17 SEED MONEY

It represent the initial amount deposited by the Operator of Rs. 1,000,000 in waqf fund to create a Participant's Retakaful Fund.

	Note	Participant's Retakaful Fund	
		2020	2019
18 OUTSTANDING CLAIMS INCLUDING IBNR		----- (Rupees) -----	
Facultative business	18.1	74,901,532	7,870,710
Treaty		224,234,812	71,758,215
	18.2	299,136,344	79,628,925
18.1 Facultative business			
Fire		70,709,441	4,618,505
Marine cargo		136,745	92,115
Marine Hull		1,994,662	-
Accident		1,221,279	2,998,400
Engineering		839,405	161,690
		74,901,532	7,870,710

18.2 The Securities and Exchange Commission of Pakistan (SECP) issued guidelines for estimation of Incurred but Not Reported (IBNR) claim reserves for non-life insurer companies through Circular No. 9 of 2016 dated March 09, 2016. The guidelines prescribe the standard method for estimation of IBNR claim reserves so as to bring industry wide-uniformity in respect of such estimation and to ensure adequacy of IBNR claims reserve. All non-life insurance companies are required to comply with these guidelines with effect from July 01, 2016.

However, on May 30, 2017 SECP issued separate guidelines for the Company for estimation of Incurred but Not Reported (IBNR) claim through letter No. ID/PRDD/IBNR/2017/9695 which prescribe that, for the purposes of ascertaining IBNR claim reserves by the Company, guidance is hereby extended, that the Company shall collect the data of IBNR claim reserves from the cedants (non-life insurers) and in accordance with its share in the reinsurance program (both on treaty and facultative basis) of the cedant(s) it shall record its IBNR claim reserves.

On the basis of above SECP specified guidelines, the Company wrote letter to each ceding Company to share data of IBNR Claims Reserves in accordance with its share in the reinsurance program both for facultative and treaty business. However, none of the ceding companies shared their IBNR Claim Reserves. The Company recorded Facultative and Treaty IBNR claim reserves on basis of actuarial valuation amounting to Rs. 2,764,966 and Rs. 27,469,442 respectively.

PAKISTAN REINSURANCE COMPANY LIMITED -
WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	Participant's Retakaful Fund	
		2020	2019
19 UNEARNED CONTRIBUTION RESERVES		----- (Rupees) -----	
Facultative business Treaty	19.1	18,036,317	18,289,920
		220,838,731	173,903,826
		238,875,048	192,193,746
19.1 Facultative business			
Fire		9,706,183	13,337,804
Marine cargo		64,808	165,628
Accident		4,923,375	3,416,224
Engineering		3,341,951	1,370,264
		18,036,317	18,289,920
20 CONTRIBUTION DEFICIENCY RESERVE			
Fire		9,144,215	-
Marine cargo		70,016	-
Proportional treaty		8,402,984	-
Non proportional treaty		1,393,562	-
		19,010,777	-
21 TAKAFUL/RETAKAFUL PAYABLES			
Retakaful contribution payable		58,819,041	-
22 DEFERRED TAXATION			
Taxable temporary differences			
Unrealized gain on available for sale investments		69,101	78,693

	Operator's Retakaful Fund		Participant's Retakaful Fund	
	2020	2019	2020	2019
23 OTHER CREDITORS AND ACCRUALS	-----Rupees-----			
Salaries payable	-	150,000	-	-
Income tax deducted at source	-	122,400	-	43,600
Employee income tax payable	-	286	-	-
Sindh sales tax payable	-	4,800	-	2,200
Other payable	-	1,843,439	-	-
Audit fee payable	716,500	126,500	-	-
Miscellaneous creditors	150,000	-	1,000	-
	866,500	2,247,425	1,000	45,800
24 PAYABLE TO RELATED PARTY				
Pakistan Reinsurance Company Limited	4,589,893	-	-	-

PAKISTAN REINSURANCE COMPANY LIMITED -
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FOR THE YEAR ENDED DECEMBER 31, 2020

	Operator's Retakaful Fund		Participant's Retakaful Fund	
	2020	2019	2020	2019
	-----Rupees-----			
24.1 Payable in respect of				
Income tax	3,774,439	-	-	-
Salaries	728,108	-	-	-
Bonus	87,346	-	-	-
	4,589,893	-	-	-

25 CONTINGENCIES AND COMMITMENTS

25.1 The Operator was served with a notice by Sindh Revenue Board (SRB) in 2016 for non filing of sales tax returns and raised sales tax liability via same notice on conventional reinsurance services provided by the Operator details of which are stated in note 33.4 to the operator's financial statement. Company has contested the notice and the case is pending with the Honorable High Court of Sindh. In case of unfavorable outcome of the said matter, the charge to profit or loss account would be amounted to Rs. 78.4 million pertaining to the year 2020 (2019: Rs. 55.2 millions) on retakaful operations excluding any additional penalty or default surcharge.

25.2 There were no commitments as at December 31, 2020 (2019: Nil).

	Note	Participant's Retakaful Fund	
		2020	2019
		----- (Rupees) -----	
26 NET CONTRIBUTION REVENUE			
Written gross contributions		603,734,469	424,787,613
Add: Unearned contribution reserve opening		192,193,748	-
Less: Unearned contribution reserve closing		238,875,048	192,193,748
Contributions earned		557,053,169	232,593,865
Retakaful contribution ceded		122,536,902	64,575,000
Add: prepaid retakaful contribution opening		20,300,625	-
Less: prepaid retakaful contribution closing		75,847,698	20,300,625
Retakaful expense		(66,989,829)	(44,274,375)
		490,063,340	188,319,490
27 WAKALA FEE			
Gross wakala fee		138,858,928	97,701,151
Add: unearned wakala fee- opening		44,204,562	-
Less: unearned wakala fee- closing	27.1	54,941,261	44,204,562
		128,122,229	53,496,589

27.1 This represents expense for Participants Retakaful Fund and revenue for Operator's Retakaful Fund. The Operator manages the Window Retakaful Operations for the participants and charges 23% of the gross contribution written as wakala fee against the services.

PAKISTAN REINSURANCE COMPANY LIMITED -
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FOR THE YEAR ENDED DECEMBER 31, 2020

28 NET CLAIMS - REPORTED / SETTLED - IBNR

	Participant's Retakaful Fund	
	2020	2019
	----- (Rupees) -----	
Benefits/claims paid	217,114,067	93,227,302
Less: Outstanding benefits/claims including IBNR - opening	79,628,925	-
Add: Outstanding benefits/claims including IBNR - closing	299,136,344	79,628,925
Claims expense	<u>436,621,486</u>	<u>172,856,227</u>
Retakaful and other recoveries received	15,996,735	-
Add: Retakaful and other recoveries received- closing	-	-
Less: Retakaful and other recoveries received- opening	-	-
Retakaful and other recoveries revenue	<u>(15,996,735)</u>	<u>-</u>
Net claims expenses	<u>420,624,751</u>	<u>172,856,227</u>

28.1 Claim development table

The Company maintains adequate reserves in respect of its retakaful business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year. The following table shows the development of the claims over a period of time. All amounts are presented in gross numbers before retakaful.

Accident year	2016	2017	2018	2019	2020
					Including IBNR
Estimate of ultimate claims cost					
-At the end of accident year	-	-	-	5,346,007	67,385,314
-One year later	-	-	-	7,516,218	-
-Two years later	-	-	-	-	-
-Three years later	-	-	-	-	-
-Four years later	-	-	-	-	-
Current estimate of cumulative claims	-	-	-	12,862,225	67,385,314
Cumulative payments to date	-	-	-	194,575	-
Liability	-	-	-	<u>13,056,800</u>	<u>67,385,314</u>

29 INVESTMENT INCOME

Income from equity securities- Available for sale

	Operator's Retakaful Fund		Participant's Retakaful Fund	
	2020	2019	2020	2019
Dividend income	1,202,072	83,277	5,661,669	471,022

30 OTHER INCOME

Profit on bank deposits	<u>20,664,577</u>	<u>1,378,609</u>	<u>1,856,259</u>	<u>1,567,004</u>
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Note

-----Rupees-----

PAKISTAN REINSURANCE COMPANY LIMITED -
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Notes to the Financial Statements

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	Note	Operator's Retakaful Fund		Participant's Retakaful Fund	
		2020	2019	2020	2019
31 MODARIB'S INCOME / (EXPENSE)		-----Rupees-----			
Investment income earned		5,661,669	471,022	(5,661,669)	(471,022)
Profit on bank deposits		1,856,259	1,567,004	(1,856,259)	(1,567,004)
Mudarib' share of income	31.1	1,879,482	509,507	(1,879,482)	(509,507)

31.1 The Operator of the Window Retakaful manage the participant's investments as a Modarib and charge 25% of Modarib's share of the investment income earned and profit on bank deposits by the Participant's Retakaful Fund.

	Operator's Retakaful Fund		Participant's Retakaful Fund	
	2020	2019	2020	2019
32 TAXATION	-----Rupees-----			
Current tax expense	12,437,596	3,774,439	1,348,372	-

32.1 Relationship between tax expense and accounting profit

Profit before tax	42,888,261	13,015,307	-	-
Tax at the applicable rate of 29% (2019: 29%)	12,437,596	3,774,439	-	-
Tax effect of income that are deductible in determining the taxable profit	-	-	1,348,372	-
Charge for the year	12,437,596	3,774,439	1,348,372	-
Applicable tax rate	29%	29%		
Tax effects of amount that are:				
Permanent difference	0%	0%		
Effective tax rate	29%	29%		

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		Participant's Retakaful Fund	
		2020	2019
		----- (Rupees) -----	
33	COMMISSION EXPENSE		
	Commission paid or payable	108,818,104	72,928,306
	Add: deferred commission expense- opening	34,719,365	-
	Less: deferred commission expense- closing	41,504,923	34,719,365
	Commission expense	<u>102,032,546</u>	<u>38,208,941</u>
		----- (Rupees) -----	
		Operator's Retakaful Fund	
		2020	2019
34	GENERAL, ADMINISTRATIVE AND MANAGEMENT EXPENSES		
	Salaries, allowance and other benefits	4,053,652	1,933,716
	Shariah Advisor fee	1,950,000	1,950,000
	Auditor's remuneration	887,000	295,000
	Others	56,901	65,018
		<u>6,947,553</u>	<u>4,243,734</u>
34.1	Auditor's remuneration		
	Half yearly review	108,000	125,000
	Annual audit fee	162,000	125,000
	Shariah audit fee	135,000	20,000
	Regulatory returns	135,000	-
	Out of pocket expense	50,000	25,000
	Other	297,000	-
		<u>887,000</u>	<u>295,000</u>
34.1.1	It represents Shariah audit and fee for regular returns pertaining to the financial year 2019 and recorded subsequent to the year end.		
35	NUMBER OF EMPLOYEES	2020	2019
	Number of employees at the year end	<u>3</u>	<u>3</u>
	Average number of employees during the year	<u>3</u>	<u>3</u>

PAKISTAN REINSURANCE COMPANY LIMITED -
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FOR THE YEAR ENDED DECEMBER 31, 2020

36 SEGMENT REPORTING

36.1 PARTICIPANTS' RETAKAFUL FUND

	2020					Total
	Fire and property damage	Marine	Accident	Proportional Treaty	Non Proportional Treaty	
	Rupees					
Gross written contribution	45,074,953	1,038,755	13,719,945	466,530,743	77,370,073	603,734,469
Unearned contribution-opening	14,708,070	165,628	3,416,224	137,423,012	36,480,814	192,193,748
Unearned contribution-closing	(13,048,134)	(64,808)	(4,923,375)	(203,901,756)	(16,936,975)	(238,875,048)
Contribution earned	46,734,889	1,139,575	12,212,794	400,051,999	96,913,912	557,053,169
Retakaful-Ceded	-	-	-	-	122,536,902	122,536,902
Prepaid retakaful-Opening	-	-	-	-	20,300,625	20,300,625
Prepaid retakaful-Closing	-	-	-	-	(75,847,698)	(75,847,698)
Retakaful Expenses	-	-	-	-	66,989,829	66,989,829
Net contribution	46,734,889	1,139,575	12,212,794	400,051,999	29,924,083	490,063,340
Retakaful Rebate	-	-	-	-	-	-
Net underwriting income (A)	46,734,889	1,139,575	12,212,794	400,051,999	29,924,083	490,063,340
Benefits/claims paid	194,575	-	-	172,996,770	43,922,722	217,114,067
Outstanding benefits/claims-opening	(3,005,450)	(22,787)	(1,598,713)	(64,810,993)	(10,190,982)	(79,628,925)
Outstanding benefits/claims-closing	71,548,846	2,131,407	1,221,279	173,075,210	51,159,602	299,136,344
Claims expenses	68,737,971	2,108,620	(377,434)	281,260,987	84,891,342	436,621,486
Retakaful recoveries received	-	-	-	-	15,996,735	15,996,735
Retakaful recoveries against outstanding claims-opening	-	-	-	-	-	-
Retakaful recoveries against outstanding claims-closing	-	-	-	-	-	-
Retakaful recoveries revenue	-	-	-	-	15,996,735	15,996,735
Net benefit expenses	68,737,971	2,108,620	(377,434)	281,260,987	68,894,607	420,624,751
Contribution deficiency expense	9,144,215	70,016	-	8,402,984	1,393,562	19,010,777
Wakala fee	10,749,024	262,102	2,808,943	92,011,960	22,290,200	128,122,229
Management expense	-	-	-	-	-	-
Net benefits and expenses (B)	88,631,210	2,440,738	2,431,509	381,675,931	92,578,368	567,757,757
Underwriting results (C=A-B)	(41,896,321)	(1,301,163)	9,781,285	18,376,068	(62,654,286)	(77,694,417)
Profit on bank balances						1,856,259
Dividend income						5,661,669
Modarib share of PTF investment income and bank profit						(1,879,482)
Provision for doubtful debt						(6,898,427)
Deficit before tax						(78,954,398)
Segment assets	46,734,889	1,139,575	12,212,794	400,051,999	29,924,083	490,063,340
Unallocated assets						41,416,226
						531,479,566
Segment liabilities	88,631,210	2,440,738	2,431,509	381,675,931	92,578,368	567,757,757
Unallocated liabilities						77,642,030
						645,399,787

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	2019					Total
	Fire and property damage	Marine	Accident	Proportional Treaty	Non Proportional Treaty	
	-----Rupees-----					
Gross written contribution	32,455,522	858,910	17,413,091	302,526,344	71,533,746	424,787,613
Unearned contribution-opening	-	-	-	-	-	-
Unearned contribution-closing	(14,708,070)	(165,628)	(3,416,224)	(137,423,012)	(36,480,814)	(192,193,748)
Contribution earned	17,747,452	693,282	13,996,867	165,103,332	35,052,932	232,593,865
Retakaful-Ceded	-	-	-	-	64,575,000	64,575,000
Prepaid retakaful-opening	-	-	-	-	-	-
Prepaid retakaful-closing	-	-	-	-	(20,300,625)	(20,300,625)
Retakaful expenses	-	-	-	-	44,274,375	44,274,375
Net contribution	17,747,452	693,282	13,996,867	165,103,332	(9,221,443)	188,319,490
Rebate	-	-	-	-	-	-
Net underwriting income (A)	17,747,452	693,282	13,996,867	165,103,332	(9,221,443)	188,319,490
Benefits paid	-	-	-	63,609,811	29,617,491	93,227,302
Outstanding benefits-opening	-	-	-	-	-	-
Outstanding benefits-closing	3,005,450	22,787	1,598,713	64,810,993	10,190,982	79,628,925
Benefits expenses	3,005,450	22,787	1,598,713	128,420,804	39,808,473	172,856,227
Retakaful recoveries received	-	-	-	-	-	-
Retakaful recoveries-opening	-	-	-	-	-	-
Retakaful recoveries-closing	-	-	-	-	-	-
Benefits recovered - retotakaful	-	-	-	-	-	-
Net benefits	3,005,450	22,787	1,598,713	128,420,804	39,808,473	172,856,227
Wakala fee	4,081,914	159,455	3,219,279	37,973,766	8,062,174	53,496,589
Management expense	-	-	-	-	-	-
Contribution deficiency expense	-	-	-	-	-	-
Net benefits and expenses (B)	7,087,364	182,242	4,817,992	166,394,570	47,870,647	226,352,816
Underwriting results (C=A-B)	10,660,088	511,040	9,178,875	(1,291,239)	(57,092,090)	(38,033,326)
Profit on bank deposits						1,567,004
Dividend income						471,022
Modarib fee on dividend income and profit on bank deposits						(509,507)
Profit before tax						<u>(36,504,807)</u>
Segment assets	3,005,450	22,787	1,598,713	64,810,993	(10,109,643)	59,328,300
Unallocated assets						<u>217,828,356</u>
						<u>277,156,656</u>
Segment liabilities	7,087,364	182,242	4,817,992	166,394,570	47,870,647	226,352,816
Unallocated liabilities						<u>96,534,216</u>
						<u>322,887,032</u>

PAKISTAN REINSURANCE COMPANY LIMITED -
WINDOW RETAKAFUL OPERATIONS

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FOR THE YEAR ENDED DECEMBER 31, 2020

36.2 OPERATOR'S RETAKAFUL FUND

	2020					Total
	Fire and property damage	Marine	Accident	Proportional Treaty	Non Proportional Treaty	
	-----Rupees-----					
Wakala fee	10,749,024	262,102	2,808,943	92,011,960	22,290,200	128,122,229
Commission	(5,636,346)	(128,446)	(733,375)	(95,534,379)	-	(102,032,546)
Management expenses	(662,553)	(16,156)	(173,139)	(5,671,476)	(424,229)	(6,947,553)
	<u>4,450,125</u>	<u>117,500</u>	<u>1,902,429</u>	<u>-</u>	<u>21,865,972</u>	<u>19,142,130</u>
Modarib share of PTF investment income and bank profit						1,879,482
Profit on bank deposits						20,664,577
Dividend income						1,202,072
Profit before tax						<u>42,888,261</u>
Taxation						(12,437,596)
Profit after tax						<u>30,450,665</u>
Segment assets	1,517,794	7,442	248,393	39,731,294	-	41,504,923
Unallocated assets						<u>367,861,914</u>
						<u>409,366,837</u>
Segment liabilities	(3,001,071)	(14,906)	(1,132,376)	(46,897,404)	(3,895,504)	(54,941,261)
Unallocated liabilities						<u>124,368,915</u>
						<u>69,427,654</u>

	2019					Total
	Fire and property damage	Marine	Accident	Proportional Treaty	Non Proportional Treaty	
	-----Rupees-----					
Wakala fee	4,081,914	159,455	3,219,279	37,973,766	8,062,174	53,496,589
Commission	(2,230,670)	(74,867)	(1,096,899)	(34,806,504)	-	(38,208,940)
Management expenses	(312,381)	(12,203)	(246,365)	(3,029,579)	(643,207)	(4,243,735)
Segment results	<u>1,538,863</u>	<u>72,385</u>	<u>1,876,015</u>	<u>137,683</u>	<u>7,418,967</u>	<u>11,043,914</u>
Profit on bank deposits						1,378,609
Dividend income						83,277
Modarib share of PTF investment income and bank profit						509,507
Profit before tax						<u>13,015,307</u>
Taxation						(3,774,439)
Profit after tax						<u>9,240,868</u>
Segment assets	268,675	198,444	198,444	8,862,378	-	9,527,941
Unallocated assets						<u>379,196,126</u>
						<u>388,724,067</u>
Segment liabilities	(3,382,856)	(38,094)	(785,732)	(31,607,293)	(8,390,587)	(44,204,562)
Unallocated liabilities						<u>94,061,714</u>
						<u>49,857,152</u>

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36.3 Geographical segments

Although the operations of the Operator are primarily based on business segments, the Operator also operates in more than one geographical area. The following table shows the distribution of the Operator's revenue, total assets and total liabilities.

Locations	2020		2019	
	Lahore	Karachi	Lahore	Karachi
	-----Rupees-----			
Premium earned	102,083,066	454,970,103	50,958,620	181,635,245
Commission expense	16,767,227	85,265,319	8,576,290	29,632,651
Losses paid	15,591,641	421,029,845	1,461,286	171,394,941
Outstanding liabilities	181,754,115	117,382,229	4,880,441	74,748,484

Operator's Retakaful Fund	Participant's Retakaful Fund
Available for sale	

----- (Rupees) -----

37 MOVEMENT IN INVESTMENTS

At beginning of previous year

Additions

Fair value net gains (excluding net realized gains)

At beginning of current year

Additions

Fair value net (loss) / gains (excluding net realized gains)

At end of current year

-	-
15,929,333	77,940,433
192,662	1,020,623
16,121,995	78,936,186
1,084,098	4,783,782
(23,483)	866,589
17,182,610	84,586,557

38 MANAGEMENT OF RETAKAFUL AND FINANCIAL RISK

The risks involved with financial instruments and the Operator's approach to managing such risks are as follow:

38.1 Retakaful risk

The risk under a Retakaful contract is the possibility that the covered event occurs and the uncertainty of the amount of the resulting benefits. By the very nature of a Retakaful contract, this random and therefore unpredictable. The principal risk faced under such contract is that, the occurrence of the covered events and the severity of reported benefits. The Operator's risk profile is improved by diversification of these risk of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in single subject.

The Operator principally issues the general Retakaful cover. Risks under these policies usually cover a twelve month duration.

Underwriting limits and retention policies and procedures precisely regulate who is authorized and accountable for concluding retakaful contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines, if required.

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Frequency and severity of benefits

Risk associated with general Retakaful contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the Retakaful events. This has been managed by underwriting strategy, retakaful arrangements and proactive benefit handling procedures.

The Operator's class wise major risk exposure is as follows:

- Fire and property damage
- Marine, aviation and transport
- Motor
- Miscellaneous

Uncertainty in the estimation of future benefits payment

Benefits on general Retakaful contracts are payable on a benefit occurrence basis. The Participant Retakaful is liable for all covered events that occur during the term of the Retakaful contract including the event reported after the expiry of the Retakaful contract term.

An estimated amount of the benefit is recorded immediately on the intimation to the operations. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the benefits.

There are several variable factors which affect the amount and timing of recognized benefit liabilities. The operations takes all reasonable measures to mitigate the factors affecting the amount and timing of benefit settlements. However, uncertainty prevails with estimated benefit liabilities and it is likely that final settlement of these liabilities may be significantly different from initial recognized amount.

38.2 Credit risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Operator by failing to discharge its obligation. The Operator's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements. Further, management monitors exposure to credit risk through review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continuously assessing the credit worthiness of counter parties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in the financial statements.

The management monitors and limits the company's exposure to credit risk through monitoring of client's exposure and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

The carrying amount of financial assets represents the maximum credit exposure as specified below:

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	Note	Operator's Retakaful Fund		Participant's Retakaful Fund	
		2020	2019	2020	2019
		-----Rupees-----			
Bank balances	14	319,674,992	257,509,232	102,591,279	27,265,685
Takaful / retakaful receivables	8	-	-	213,512,771	117,396,079
Accrued markup on bank deposit	7	1,352,632	-	-	-
Loan to employees	7	25,000	-	-	-
Receivable from Participant's Retakaful Fund-net	9	29,557,577	51,018,561	-	-

The Company did not held any collateral against the above during the year. General provision is made for takaful / retakaful receivables and other receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due.

The credit quality of the bank in which Operator maintained its own and Participant's Funds' bank balance and markup on bank deposits accrued can be assessed below with reference to external credit ratings.

	Rating		Rating Agency	Operator's Retakaful Fund	Participant's Retakaful Fund
	Short Term	Long Term		Amount in Rs.	
Meezan Bank Limited	A-1+	AA+	JCR-VIS	53,759,903	102,590,080
Askari Bank Limited	A-1+	AA+	PACRA	-	-
Sindh Bank	A-1	A+	JCR-VIS	479,127	1,199
Dubai Islamic Bank Limited	A-1+	AA	JCR-VIS	265,435,961	-
				319,674,991	102,591,279

The management monitors exposure to credit risk in contribution receivable from customers through regular review of credit exposure and prudent estimates of provision for doubtful receivables.

The credit quality of customers from whom the amount of retakaful receivables can be assessed with reference to external credit ratings.

	Amount Receivable in Rs.
A or above	221,334,477
Others	(923,279)
	220,411,198

38.3 Impaired assets

The impairment provision is written-off when the Operator expects that it cannot recover the balance due. During the year, no amount has been impaired.

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38.4 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Operator could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Operator's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Operator's reputation. In the case of the Operator, the liquidity level remained on satisfactory level during the year and Operator did not face any difficulty in generation of liquidity.

The following are the contractual maturities of financial liabilities on the basis of an undiscounted cash flow;

Operator`s Retakaful Fund	Carrying amount	Contractual cash flows	Maturity up to one year
2020	-----Rupees-----		
Financial liabilities:			
Payable to Participant Retakaful Fund-net	29,557,577	29,557,577	29,557,577
Other creditors and accruals	866,500	866,500	866,500
	30,424,077	30,424,077	30,424,077
 2019			
Financial liabilities:			
Other creditors & accruals	2,247,425	2,247,425	2,247,425
	2,247,425	2,247,425	2,247,425
 Participant's Retakaful Fund			
2020			
Financial liabilities:			
Outstanding claims including IBNR	299,136,344	299,136,344	299,136,344
Takaful/retakaful payables	58,819,041	58,819,041	58,819,041
Other creditors and accruals	1,000	1,000	1,000
	357,956,385	357,956,385	357,956,385
 2019			
Financial liabilities:			
Outstanding claims including IBNR	79,628,925	79,628,925	79,628,925
Other creditors & accruals	45,800	45,800	45,800
	79,674,725	79,674,725	79,674,725

38.5 Market risk

Market risk is a risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. The Operator manages the market risk through diversification of the portfolio and by following the internal guidelines established by the relevant committee. Market risk comprises of three types of risk: currency risk, profit rate risk and price risk.

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38.5.1 Profit/interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated.

The information about the Operator's and Participant's Retakaful fund to interest rate risk based on contractual repricing or maturity dates whichever earlier is as follows:

OPERATOR'S RETAKAFUL FUND

2020	Effective rate per annum (%)	Interest / mark-up bearing financial instruments			Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year	Sub total		
-----Rupees-----						
Financial assets						
Bank balances	3% to 6%	319,674,992	-	319,674,992	-	319,674,992
Investments		-	-	-	17,251,711	17,251,711
Other receivables		-	-	-	1,377,632	1,377,632
Receivable from Participant's Retakaful Fund-net		-	-	-	29,557,577	29,557,577
Subtotal		319,674,992	-	319,674,992	48,186,920	367,861,912
Financial liabilities						
Outstanding claims including IBNR		-	-	-	-	-
Insurance / reinsurance payables		-	-	-	-	-
Other creditors and accruals		-	-	-	866,500	866,500
Subtotal		-	-	-	866,500	866,500
		319,674,992	-	319,674,992	47,320,420	366,995,412
On balance sheet sensitivity gap		319,674,992	-	319,674,992	47,320,420	

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FOR THE YEAR ENDED DECEMBER 31, 2020

	Effective rate per annum (%)	Interest / mark-up bearing financial instruments			Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year	Sub total		
-----Rupees-----						
Financial assets						
Bank balances	5% to 7%	257,509,232	-	257,509,232	-	257,509,232
Investments		-	-	-	16,121,995	16,121,995
Receivable from Participant's Retakaful Fund- net		-	-	-	51,018,561	51,018,561
Subtotal		257,509,232	-	257,509,232	67,140,556	324,649,788
Financial liabilities						
Outstanding claims including IBNR		-	-	-	-	-
Takaful / retakaful payables		-	-	-	-	-
Payable to Participant Retakaful Fund-net		-	-	-	-	-
Other creditors and accruals		-	-	-	2,247,425	2,247,425
Subtotal		-	-	-	2,247,425	2,247,425
		257,509,232	-	257,509,232	64,893,131	322,402,363
On balance sheet sensitivity gap		257,509,232	-	257,509,232	64,893,131	

PARTICIPANT'S RETAKAFUL FUND

2020

Financial assets

Bank balances	3% to 6%	102,591,279	-	102,591,279	-	102,591,279
Investments		-	-	-	84,586,557	84,586,557
Takaful / retakaful receivables		-	-	-	213,512,771	213,512,771
Subtotal		102,591,279	-	102,591,279	298,099,328	400,690,607

Financial liabilities

Outstanding claims including IBNR		-	-	-	299,136,344	299,136,344
Takaful / retakaful payables		-	-	-	58,819,041	58,819,041
Payable to Operator's Retakaful Fund		-	-	-	29,557,577	29,557,577
Other creditors and accruals		-	-	-	1,000	1,000
Subtotal		-	-	-	387,513,962	387,513,962
		102,591,279	-	102,591,279	(89,414,634)	13,176,645
On balance sheet sensitivity gap		102,591,279	-	102,591,279	(89,414,634)	

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	Effective rate per annum (%)	Interest / mark-up bearing financial instruments			Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year	Sub total		
-----Rupees-----						
2019						
Financial assets						
Bank balances	5% to 7%	27,265,685	-	27,265,685	-	27,265,685
Investments		-	-	-	78,936,186	78,936,186
Takaful / retakaful receivables		-	-	-	117,396,079	117,396,079
Subtotal		27,265,685	-	27,265,685	196,332,265	223,597,950
Financial liabilities						
Outstanding claims including IBNR		-	-	-	79,628,925	79,628,925
Payable to Operator's Retakaful Fund		-	-	-	51,018,561	51,018,561
Other creditors and accruals		-	-	-	45,800	45,800
Subtotal		-	-	-	130,693,286	130,693,286
		27,265,685	-	27,265,685	65,638,979	92,904,664
On balance sheet sensitivity gap		27,265,685	-	27,265,685	65,638,979	

Market risk

Market risk is a risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company is exposed to market risk with respect to its investments and bank balances maintained in profit & loss sharing accounts. The Company has invested its funds in close ended mutual funds resulting in risk arising from fluctuation in the rate of return and dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

Sensitivity analysis for variable rate instruments

Profit rate risk arises from possibility that changes in profit rate will effect the value of financial instruments. Rate risk is the risk of decline in earning due to adverse movement of the rate curve. The operator is exposed to profit rate risk for certain deposits with the banks.

The below table summarize the price risk as at December 31, 2020 and 2019 and show the effect of 10% increase and decrease in market rate as at the year end. The selected changes does not reflect what could be considered to be the best or worst case scenarios.

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operator's retakaful fund	Fair value	Effect on profit before tax	Effect on Operator's Fund
	-----Rupees-----		
December 31, 2020			
10% increase	319,674,992	31,967,499	22,696,924
10% decrease	319,674,992	(31,967,499)	(22,696,924)
December 31, 2019			
10% increase	257,509,232	25,750,923	18,283,155
10% decrease	257,509,232	(25,750,923)	(18,283,155)

PARTICIPANT'S RETAKAFUL FUND

December 31, 2020			
10% increase	102,591,279	10,259,128	7,283,981
10% decrease	102,591,279	(10,259,128)	(7,283,981)
December 31, 2019			
10% increase	27,265,685	2,726,569	1,935,864
10% decrease	27,265,685	(2,726,569)	(1,935,864)

38.6 Foreign Currency risk

Foreign currency risk is a risk that the fair value of future cash flows financial instrument will fluctuate because of change in exchange rates. Current, the Operator is not exposed to currency risk as majority of the transactions are carried out in Pakistani rupees.

38.7 Equity Price Risk

The Operator's equity investments are susceptible to market price risk arising from uncertainty about the future value of investments securities. The Operator limit market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity market.

The table below summarize Operator's market price risk as of December 31, 2020 and 2019. it shows the effects of a 10% increase and decrease in the market prices of equity investments as on those dates on Operator's profit and total Operator's fund.

	Price Change	Fair value	Estimated fair value	Effect on Profit and loss account	Effect on Total Operator's
		-----Rupees-----			
December 31, 2020	10% increase	17,251,711	18,976,882	-	1,725,171
	10% decrease	17,251,711	15,526,540	-	(1,725,171)
December 31, 2019	10% increase	16,121,995	17,734,195	-	1,612,200
	10% decrease	16,121,995	14,509,796	-	(1,612,200)

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38.8 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Operator is not exposed to any such risk.

The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2020	Total	Level 1	Level 2	Level 3
	----- Rupees -----			
Financial assets measured at fair value				
Available-for-sale investment				
Mutual funds				
- Operator's Fund	17,251,711	17,251,711	-	-
- Participant Retakaful Fund	84,586,557	84,586,557	-	-
2019	Total	Level 1	Level 2	Level 3
	----- Rupees -----			
Financial assets measured at fair value				
Available-for-sale investment				
Mutual funds				
- Operator's Fund	16,121,995	16,121,995	-	-
- Participant Retakaful Fund	78,936,186	78,936,186	-	-

39 STATEMENT OF SOLVENCY

	Note	December 31, 2020 Rupees
Assets		
Investments	6	84,586,557
Takaful/retakaful receivables	8	213,512,771
Prepayment	13	75,847,698
Deferred wakala fee	11	54,941,261
Bank balances	14	102,591,279
Total Assets (A)		531,479,566
In-admissible assets as per section 32 (2) of Insurance Ordinance, 2000		
Contribution due since more than three months		(130,434,000)
Total In-admissible assets (B)		(130,434,000)
Total Admissible Assets (C=A-B)		401,045,566
Total Liabilities		

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	Note	December 31, 2020 Rupees
Underwriting Provisions		
Outstanding benefits including IBNR	18	299,136,344
Unearned contribution reserves	19	238,875,048
Contribution deficiency reserves		19,010,777
Takaful/retakaful payable	21	58,819,041
Payable to Operator's Retakaful Fund - net	9	29,557,577
Other creditors and accruals	23	1,000
Total Liabilities (D)		645,399,787
Total Net Admissible Assets (E=C-D)		(244,354,221)
Minimum Solvency Requirement (higher of following amounts)		
Method A - U/s 36(3)(a)	150,000,000	
Method B - U/s 36(3)(b)	98,012,668	
Method C - U/s 36(3)(c)	59,827,269	
		(150,000,000)
Deficit in Net Admissible Assets over Minimum Requirements	39.1	(394,354,221)

39.1 The Participant's Retakaful Fund has not complied with the minimum solvency requirement as against the requirement of section 36 of the Insurance ordinance, 2000

40 CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The objectives, policies and processes for managing capital of the Operator are as follows:

- to be an appropriately capitalized institution, as defined by regulatory authorities;
- maintain strong rating and to protect the Operator against unexpected events;
- availability of adequate capital at reasonable cost so as to enable the Operator to expand; and
- achieve low cost of capital with approximate mix of capital elements.

Amount of Rs. 300 million is deposited as statutory fund to comply with provisions of paragraph 4 of circular no. 8 of 2014 read with section 11(1)(c) of Takaful Rules, 2012 issued by SECP, which states that 'every insurer who is interested to commence Window Takaful business shall transfer an amount of not less than Rs. 50 million to be deposited in a separate bank account for Window Takaful business duly maintained in a scheduled bank.

The Company monitors capital using a ratio of "net debt" to "equity". Net debt is calculated as total liabilities (as shown in statement of financial position) less cash and cash equivalents. Equity comprises all components of Operator' and Participant' Retakaful Fund.

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The Operator's net debt to equity ratio as at December 31, 2020 was as follows:

	Operator's Retakaful Fund		Participant's Retakaful Fund	
	2020	2019	2020	2019
	-----Rupees-----			
Total liabilities	69,427,654	49,857,152	645,399,787	322,887,032
Less: cash and cash equivalents	(319,674,992)	(257,509,232)	(102,591,279)	(27,265,685)
Net debt	(250,247,338)	(207,652,080)	542,808,508	295,621,347
Total Operator's Fund / Balance of Participant's Retakaful Fund	339,939,183	309,512,001	(113,920,221)	(34,484,040)
Net debt to equity ratio	-74%	-67%	-476%	-857%

41 COMPARATIVE FIGURES

The General Takaful Accounting Regulations 2019 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified wherever considered necessary to comply with the requirement of the said regulation.

Key changes in figures of December 31, 2019 related to presentation and classification have been summarized as follows:

	Note	Before	Changes due to	After
		Classification	reclassification	Classification
-----Rupees-----				
Operator's Retakaful Fund				
Assets				
Receivable from Participant's Retakaful Fund-net	9	80,373,475	(29,354,914)	51,018,561
Liabilities				
Unearned wakala Fee	11	-	44,204,562	44,204,562
Other payable		73,559,476	(73,559,476)	-
Taxation -provision less payment	10	3,405,165	(78,693)	3,326,472
Deferred taxation	22	-	78,693	78,693
Participant's Retakaful Fund				
Assets				
Other receivable		73,559,476	(73,559,476)	-
Deferred wakala fee	11	-	44,204,562	44,204,562
Liabilities				
Payable to Operator's Retakaful Fund - net	9	80,373,475	(29,354,914)	51,018,561

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42 SUBSEQUENT EVENT

Subsequent to the year end Operator has decided to provide Qarde Hasana of Rs. 244,354,221 to Participant' Retakaful Fund.

43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 30 April 2021 by the Board of Directors of the Operator.

44 GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

Pattern of Shareholding

as at December 31, 2020

Number of Shareholders	Shareholdings'Slab			Total Shares Held
471	1	to	100	17,493
490	101	to	500	186,832
414	501	to	1000	360,790
614	1001	to	5000	1,656,652
226	5001	to	10000	1,770,471
71	10001	to	15000	877,251
43	15001	to	20000	785,578
29	20001	to	25000	686,746
22	25001	to	30000	606,924
21	30001	to	35000	681,907
9	35001	to	40000	346,803
6	40001	to	45000	254,209
13	45001	to	50000	636,706
7	50001	to	55000	368,665
5	55001	to	60000	288,452
5	60001	to	65000	316,760
5	65001	to	70000	341,999
5	70001	to	75000	375,000
2	75001	to	80000	152,000
1	80001	to	85000	83,500
2	85001	to	90000	173,399
1	90001	to	95000	91,000
8	95001	to	100000	800,000
2	100001	to	105000	206,500
2	105001	to	110000	220,000
1	110001	to	115000	111,500
1	115001	to	120000	119,999
4	120001	to	125000	494,000
2	135001	to	140000	276,846
1	140001	to	145000	141,000
7	145001	to	150000	1,034,064
1	150001	to	155000	154,500
2	155001	to	160000	311,658
1	160001	to	165000	161,500
1	170001	to	175000	172,500
2	175001	to	180000	356,777
2	180001	to	185000	365,188
5	195001	to	200000	993,582
2	200001	to	205000	404,100
2	205001	to	210000	417,999
1	215001	to	220000	218,500
3	220001	to	225000	663,599
1	225001	to	230000	226,500

Pattern of Shareholding

as at December 31, 2020

Number of Shareholders		Shareholdings' Slab		
2	235001	to	240000	479,000
1	270001	to	275000	274,799
1	280001	to	285000	282,243
3	285001	to	290000	862,843
2	295001	to	300000	599,999
1	300001	to	305000	305,000
1	315001	to	320000	319,199
1	345001	to	350000	350,000
1	365001	to	370000	369,788
6	370001	to	375000	2,248,728
1	380001	to	385000	383,999
2	395001	to	400000	795,999
1	410001	to	415000	413,000
1	430001	to	435000	433,500
1	460001	to	465000	461,999
2	520001	to	525000	1,048,500
1	635001	to	640000	637,500
1	775001	to	780000	779,998
1	1055001	to	1060000	1,060,000
1	1095001	to	1100000	1,100,000
1	1175001	to	1180000	1,178,500
1	1180001	to	1185000	1,183,500
1	1245001	to	1250000	1,250,000
1	1995001	to	2000000	2,000,000
1	4345001	to	4350000	4,349,500
1	4655001	to	4660000	4,657,000
1	4975001	to	4980000	4,979,000
1	10550001	to	10555000	10,555,000
1	11495001	to	11500000	11,500,000
1	18355001	to	18360000	18,359,971
1	73230001	to	73235000	73,232,201
1	134635001	to	134640000	134,639,785
2556				300,000,000

Pattern of Shareholding

as at December 31, 2020

Categories of Shareholders	Shareholders	Shares Held	Percentage
Government of Pakistan			
THE SECRETARY MINISTRY OF COMMERCE,	1	134,639,785	44.88
M/S. PRCL EMPLOYEES EMPOWERMENT TRUST	1	18,359,971	6.12
Directors and their spouse(s) and minor children			
MR. ABDUL SAMI KEHAR	1	55	0.00
MR. SHAHAB ANWAR KHAWAJA	1	55	0.00
MR. MUSLEH UD DIN	1	55	0.00
DR. NAZIM LATIF	1	55	0.00
MUMTAZ ALI RAJPER	2	555	0.00
MRS. GHAZALA AHMED	1	55	0.00
MR. FAISAL MUMTAZ	1	55	0.00
MR. SHOAIB MIR	1	55	0.00
Associated Companies, undertakings and related parties			
STATE LIFE INSURANCE CORP. OF PAKISTAN	1	73,232,201	24.41
NIT and ICP	-	-	0.00
Banks Development Financial Institutions, Non-Banking Financial Institutions	6	17,513,802	5.84
Insurance Companies	6	6,237,229	2.08
Modarabas and Mutual Funds	3	1,519,000	0.51
General Public			
a. Local	2,482	34,482,090	11.49
b. Foreign	3	8,922	0.00
Foreign Companies	2	12,750,000	4.25
Others	42	1,256,060	0.42
Totals	2,556	300,000,000	100.00

Categories of Shareholders	Shares Held	Percentage
THE SECRETARY MINISTRY OF COMMERCE,	134,639,785	44.88
STATE LIFE INSURANCE CORP. OF PAKISTAN	73,232,201	24.41

FORM OF PROXY

As at December 31, 2020

I/We, _____ of _____ being a member of Pakistan Reinsurance Company Limited and holder of _____ ordinary shares hereby appoint Mr/Mrs. _____ of _____ or failing him/her _____ of _____ as my / our proxy in my absence to attend and vote for me / us and on my / our behalf at the 21st Annual General Meeting of the Company to be held on 30th April, 2021 at 11:00 am at Karachi and at any adjournment thereof.

Signed this _____ day of April, 2021

Affix Rupees Five
Revenue Stamp

Signature of Member(s)

Shareholder's Folio No _____
or CDC
Participant I D. No. _____
and Sub Account No. _____

Witnesses:

1	Signature _____	2.	Signature _____
	Name _____		Name _____
	Address _____		Address _____
	CNIC or Passport No. _____		CNIC or Passport No. _____

IMPORTANT:

- The member is requested:
 - To affix revenue stamp of Rs.5/- at the place indicated above.
 - To sign across the revenue stamp in the same style of signature as is registered with the Company.
 - To write down his/her/their folio number.
 - Attach an attested photocopy of their valid Computerized National Identity Card/Passport/Board Resolution and the copy of CNIC of the proxy, with this proxy form before submission.
- In order to be valid, this proxy must be received at the registered office of the Company at least 48 hours before the time fixed for the meeting, duly completed in all respects.
- CDS Shareholders or their proxies should bring their original computerized national identity card or passport along with the Participant's ID Number and their Account Number to facilitate their identification. Detailed procedure is given in the notes to the notice of AGM.

Commitment To Excellence



Pakistan Reinsurance Company Limited

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Pakistan

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